

# MAJON CITY RECREATION DEPARTMENT

# CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

#### CITY OF MASON CITY, IOWA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012

- Prepared By -

The Department of Finance Kevin Jacobson, Director

# INTRODUCTORY SECTION

#### CITY OF MASON CITY, IOWA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012

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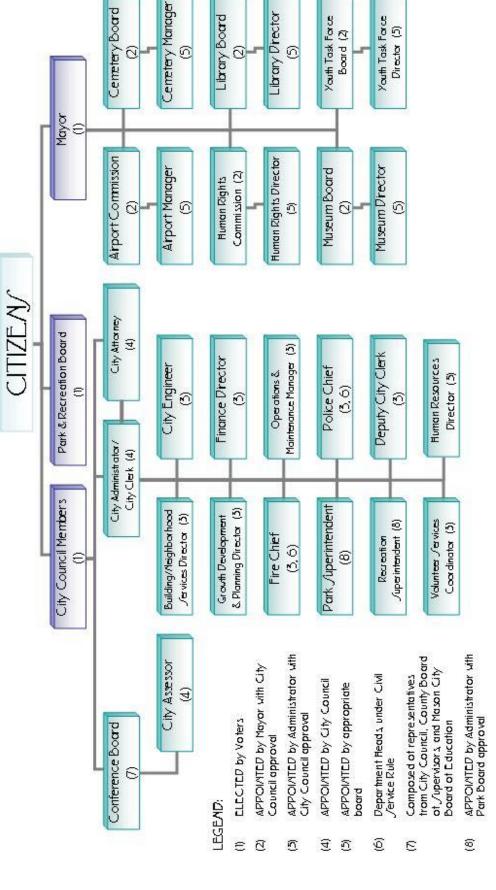
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#### CITY OF MASON CITY, IOWA CITY OFFICIALS YEAR ENDED JUNE 30, 2012

Name	<u>Title</u>	Term Expires
Eric Bookmeyer	Mayor	2014
Scott Tornquist	Mayor Pro-Tem	2014
John Lee	Council Member	2016
Jean Marinos	Council Member	2016
Alex Kuhn	Council Member	2016
Travis Hickey	Council Member	2014
Janet Solberg	Council Member	2014
Brent Trout	City Administrator/Clerk	2012
Mark Rahm	Public Works Director	2012
Kevin Jacobson	Director of Finance/Treasurer	2012
Tom Meyer (through 9-2-11)	City Attorney/Human Resources Manager	2012
James Locher (effective 9-6-11)	<u> </u>	2012
James Locher	Airport Attorney	2012
Perry Buffington	-	
(effective 4-16-12)	Human Resources Manager	2012
Michael Lashbrook	Police Chief	2012
Bob Platts	Fire Chief	2012
Pamela Myhre (through 3-2-12)	Growth Development and Planning Directo	r 2012
Tricia Sandahl	Interim Growth Development and Planning	
(effective 3-5-12)	Director	2012
William Stangler	Operations and Maintenance Manager	2012
William Stangler	Parks Manager	2012
Brian Pauly	Recreation Manager	2012
Pam Osgood	Airport Manager	2012
Edith Blanchard	MacNider Museum Director	2012
Mary Markwalter	Library Director	2012
Randy Opheim	Elmwood Cemetery Manager	2012
Lionel Foster	Human Rights Director	2012

# City of Mason City





10 First Street Northwest Mason City, IA 50401-3224 (641) 421-3600 www.masoncity.net

December 28, 2012

The Honorable Mayor and Members of the City Council City of Mason City, Iowa

The Comprehensive Annual Financial Report of the City of Mason City, Iowa for the fiscal year ended June 30, 2012 (FY12) is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, the recommendations of the Government Finance Officers Association and in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes a table of contents, a list of City Officials, the organizational chart, this transmittal letter, and a copy of the Certificate of Achievement for Excellence in Financial Reporting earned for the fiscal year ended June 30, 2011. The financial section includes management's discussion and analysis, the basic financial statements, and nonmajor funds and other schedules for the fiscal year ended June 30, 2012, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance

This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

GAAP require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mason City's MD&A can be found immediately following the report of the independent auditors.

#### GOVERNMENTAL STRUCTURE

The City of Mason City operates under the Mayor/Council form of government with six City Council members, four of which are elected from wards and two elected atlarge. The Mayor is elected at large for a four-year term. The City Council is elected to four-year terms. Three Council seats are up for election every two years. The City Administrator reports to the City Council. Twelve departments are under the direction of the City Administrator. The City Attorney is a contracted position under the direction of the City Administrator. Six departments are under the direction of a board or commission. The Mayor and Council appoint members of the Airport, Human Rights Commission, and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

Departments include City Clerk, Growth Development and Planning, Engineering, Finance, Fire, Human Resources, Operations and Maintenance, Parks, Recreation, Police and Volunteer Services. The Neighborhood Services Division oversees Transit, Health, Inspections and Animal Control services. The City owns the Mason City Public Library, the Highland Park Golf Course and the Mason City Municipal Airport.

#### ECONOMIC CONDITION AND OUTLOOK

The City's Growth Development & Planning Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. Development activities are focused on both downtown and the community's industrial parks. The June 8, 2008 flood event in the community continues - 4 years later - to focus the department's efforts on residential property buyouts and demolition activities. A Buyout Administrator assists in this effort. Over 160 houses will be purchased and either demolished or moved, and the land will become permanent public open space. Approximately 145 homes have been purchased to date. Habitat for Humanity has partnered with the City to salvage materials from the houses for resale in their ReStore. Fortunately, the business and industrial areas of the community suffered limited flood losses.

The City continues to work with the North Iowa Corridor Economic Development Corporation (NICEDC), to promote and facilitate job creation and capital investment in the Mason City area. The NICEDC is a county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

NICEDC is partially funded by the City to serve as the City's economic development marketing and recruitment arm. They work with prospects, maintain a database of available buildings and sites in a 7-county region and partner with numerous local, regional, state and national organizations to market and recruit business to North Iowa. Key industries targeted by NICEDC are wind energy, warehousing and value-added agriculture and food processing.

Accomplishments for the past fiscal year include:

- Web presence enhanced and expanded.
- Promoted industrial park initiatives along the Avenue of the Saints and I-35 corridor.
- Hosted IDED-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages.
- Leading the effort to revisit HNTB corridor study regarding land use and economic opportunities along Hwy 122 between Mason City and Clear Lake.

Mason City, with its transportation network of interstate, four-lane highways, airport and rail service, a regional workforce, low property tax rates, excellent education system and community college, top notch hospital and health care, regional retail center, regional cultural and recreational amenities and the willingness to use public financial incentives to assist quality job retention and creation, remains a competitive force for economic development in north central Iowa.

#### EXPANDED AND NEW INDUSTRIES 7/1/11 - 6/30/12

The valuation of expanded industrial development totaled approximately \$9,269,595 while new or expanded commercial and industrial development together totaled \$20,209,421. Curries Assa Abloy, Golden Grain and the Cargill Kitchen Solutions projects were the front-runners for industrial development. The commercial sector experienced development of three new structures (Jimmy John's/Mason City Laundry, R&R Rentals and Dave VerHelst Storage) in addition to over 87 expansions, remodeling or improvement projects. Major developments in our commercial sector

include construction projects for Good Shepherd (\$4,000,000), Harley Davidson (\$1,123,702), North Iowa Regional Commerce Center (\$709,225), O'Reilly Automotive (\$265,000), Financial Freedom (\$200,000), First Citizens National Bank (\$150,000), Complete Nutrition (\$123,725), Market 124 (\$100,000), Life Serve Blood Center (\$114,100) and Vanity (\$101,500).

Other commercial and industrial ventures such as Mercy Medical Center, Vi-Cor, Mason City Clinic, Determan Electric, US Cellular, Eye Care Center of America, Charlie Brown Daycare, Orange Possum, Cornish Chiropractic, Fiesta House, Heartland Asphalt, Cosmo Prof and Hart Guns also engaged in physical additions and/or renovations to their current facilities. Several of the above listed businesses opened for business during the year, while others either completed or started remodeling and/or expansion projects. The City of Mason City saw a FBO (Fixed Base Operator) addition to the Mason City Municipal Airport for \$340,000. Also, there were renovations to Newman Catholic Schools, John Adams Middle School and Mason City High School totaling \$12,162,850.

#### DOWNTOWN

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the Downtown area. MSMC was the primary point of contact between downtown property owners, business owners and the City during the final phase of the Federal Avenue Streetscape project. MSMC also worked to resolve issues after completion of the project. MSMC has contracted with the City to provide administrative and project management services for the Community Development Block Grant Façade Master Plan project. This \$500,000 CDBG grant will fund the rehabilitation of 14 historic facades in the downtown area and has leveraged an additional \$5,000,000 in private funding from local banks for downtown development. As a part of this project, MSMC also assists the City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

The MSMC organization and its many volunteers provide a program that includes business improvement, organizational development, promotions/events/marketing and design (appearance) improvements in the downtown, including the following:

- In addition to the significant private investment in the Historic Park Inn and the North Iowa Commerce Center, over \$1.6 million in private investment in 17 structures was tracked in the past year.
- 16 new business starts or property sales occurred in the district in the past year.
- 6 businesses expanded downtown and there was a net increase in downtown employment of 69 full time equivalent employees.
- Conducted promotional events, including ValenWine, the Friday Night Live summer concert series and Home for the Holidays.
- Organized and facilitated, for the 4th year, the Downtown Mason City Market, a Thursday afternoon and Saturday morning farmers' market in Central Park.
- Continued recognition as a National Main Street Community.

#### HOUSING

Housing construction for Fiscal Year 2012 included 11 single-family dwellings, and five duplexes (ten units), for a total of 21 new housing units. The number of single family dwelling units built is lower than that of previous years. Thirty-three (33)\* single-family dwellings were demolished. After reducing the number of housing units built by the number demolished, the net loss for housing in FY12 totals 12 dwelling units for the community.

\*23 of the 33 demolitions were due to the flood of 2008.

#### TRAFFIC

In 2012, the Mason City Engineering Department completed the following transportation improvement projects within the City of Mason City. The purpose of these types of projects is to improve and expand the street system, improve the functionality of the street, and increase safety for motorists and pedestrians utilizing the street network.

The South Delaware Avenue Bridge over Willow Creek project included the removal of the existing two span concrete beam bridge and cast in place deck. The bridge was built in 1917; it was approximately 83 feet in length with a width of 40 feet which allowed for two 12-foot driving lanes and two 8 foot wide shoulders used for parking. There were also 10-foot wide sidewalks on either side of the bridge.

The replacement bridge construction is a single span Pretensioned Prestressed Concrete Beam Bridge, 85 feet in length and 30 feet wide. The project also included the replacement of bridge approach and street pavement. The new bridge allows for two-way traffic with a pedestrian sidewalk on one side.

The Mason City Engineering Department also worked in conjunction with the Iowa Department of Transportation to reconstruct a section of IA 122 (old U.S. 18) from east of Winnebago Way east to west of South Pierce Avenue. The total length of the project was 1,895 feet. The existing four-lane highway was reconstructed and widened to include a fifth lane. The five-lane pavement section is variable, ranging between 63 and 65 feet in width. The fifth, or center lane, is 14-feet wide which provides for a protected left turn lane for motorists exiting the highway. The project also included new traffic signals at Garfield Avenue with interconnection to the signals at Winnebago Way and Pierce Avenue.

#### FINANCIAL INFORMATION

For financial reporting purposes, in conformance with Governmental Accounting Standards Board (GASB) Statement No. 14  $\underline{\text{The Financial Reporting Entity}}$ , the City includes all funds, organizations, agencies, boards, commissions, and authorities that are financially accountable to the City.

Single Audit: As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2012 provided instances of material weakness in the internal control structure.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of all funds are included in the annual appropriated budget. The legal level of control for budgetary purposes for all funds as set by Iowa law is at the program level.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in whole dollars.

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2012.

		Percent
Revenues	Amount	of Total
Taxes	\$17,415,872	52.94%
Licenses and Permits	598 <b>,</b> 403	1.82
Intergovernmental	12,197,658	37.08
Service Revenues	941,496	2.86
Fines and Forfeitures	83 <b>,</b> 949	0.25
Use of Monies and Properties	951 <b>,</b> 454	2.89
Special Assessments	25 <b>,</b> 990	0.08
Miscellaneous	667 <b>,</b> 185	2.03
Refunds	15 <b>,</b> 396	0.05
Total	\$32,897,403	<u>100.00</u> %

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2012.

		Percent
Expenditures	Amount	of Total
Public Safety	\$ 8,935,301	26.20%
Public Works	3,067,110	9.00
Health and Social Services	853 <b>,</b> 755	2.50
Culture and Recreation	3,074,390	9.02
Community & Economic Development	5,472,392	16.05
General Government	2,101,725	6.16
Capital Projects	6,212,107	18.22
Debt Service	4,383,143	12.85
Total	\$34,099,923	100.00%

#### GENERAL FUND BALANCE

The General Fund closed the FY12 with a fund balance of \$6,987,753 compared to \$7,056,782 on June 30, 2011. This was due to a \$69,029 decrease of revenues over expenditures for FY12.

#### ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

- 1. Cemetery Fund Operating revenues were \$98,873 in FY12, an increase of  $\overline{7.8\%}$  from FY11. Operating expenses were \$317,217 in FY12, an increase of 4.6% from FY11. Net income was \$(25,432) in FY12, a 7.9% decrease from FY11.
- 2. Waterworks Fund Operating revenues were \$5,388,341 in FY12, an increase of 2.9% from FY11. Operating expenses were \$4,538,994 in FY12, a decrease of 1.7% from FY11. Net income was \$505,753 in FY12, a 32.6% decrease from FY11.
- 3. Sewer Rental Fund  $\overline{5.8\%}$  from FY11. Operating revenues were \$4,386,606 in FY12, a decrease of 10.7% from FY11. Net income was \$4,494,782 in FY12, a 143.8% increase from FY11.
- 4. Parking Lots Fund  $\overline{98.8\%}$  from FY11. Operating revenues were \$24,474 in FY12, a decrease of 13.6% from FY11. Net income was \$(15,735) in FY12, a 158.2% decrease from FY11.
- 5. Storm Sewer Fund Operating revenues were \$283,573 in FY12, an increase of 0.2% from FY11. Operating expenses were \$179,804 in FY12, an increase of 0.05% from FY11. Net income was \$93,405 in FY12, a 0.8% decrease from FY11.

- 6. Solid Waste Fund 0.3% from FY11. Operating revenues were \$1,209,671 in FY12, an increase of 4.2% from FY11. Net income was \$(146,655) in FY12, a 133.4% decrease from FY11.
- 7.  $\underline{\text{Golf Course Fund}}$  Operating revenues were \$390,453 in FY12, a decrease of 2.6% from FY11. Operating expenses were \$445,150 in FY12, a decrease of 3.2% from FY11. Net income was \$(25,034) in FY12, a 41.2% increase from FY11.
- 8. Ambulance Fund Operating revenues were \$1,780,559 in FY12, an increase of  $\overline{15.1\%}$  from FY11. Operating expenses were \$1,520,150 in FY12, a decrease of 1.2% from FY11. Net income was \$240,206 in FY12, an 822.4% increase from FY11.

#### INTERNAL SERVICE FUNDS

The Central Services Internal Service Fund is used to account for the costs of the centralized service operations, and the Employee Health Care Fund is used to account for the payment of health insurance costs and the reimbursement of employee's portion of costs.

#### FIDUCIARY FUNDS

Fiduciary Funds are established to account for assets held by the governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

#### DEBT ADMINISTRATION

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The following shows this information as of June 30, 2012:

		RATIC	S
		Debt to	Debt per
	Amount	Assessed Value	Capita
Net Bonded Debt	\$30,318,709	2.82%	\$1,079.76

The City issued \$4,350,000 of General Obligation bonds during the year to fund an advanced refunding of three outstanding debt obligations and various public works and utility-related projects.

#### FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an unassigned general fund balance no less than \$5,000,000. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the vast majority of those taxes remitted to the City in the months of October and April. Fund balance policies are also set for Road Use Tax, LOST, Water, Sewer and Sanitation. During FY 2012, the City met all fund balance policies.

As a guideline for the budget process the City uses the established financial and budget policies which are reviewed and adopted annually by the City Council in connection with the budget process. Some of the goals of the financial policies include preserving capital through prudent budgeting and financial management, achieving a stable balance between the City's ongoing financial commitments and the continuing revenues available to the City, and to leverage local dollars with Federal and State funding grants. These financial policies ensure the City has appropriately recorded and accounted for transactions in our financial statements.

The City's adopted financial and budget policies generally provide for the City to use unrestricted cash reserves, not to exceed 5% of the projected year-end level, to keep the tax levy rate from increasing in the next fiscal year. Reserve use greater than 5% will need City Council approval. For fiscal year 2012, the City used approximately \$200,000 of General Fund reserves to maintain the General Fund levy.

The City Council annually adopts a five-year Capital Improvement Plan. The plan identifies capital projects associated with the various departments throughout the City. It also shows the funding source for each of the projects. Major funding sources for capital projects include new debt, Local Option Sales and Service Tax, Road Use Tax and proprietary revenues.

The City Council approves the Debt Service policy during the budget process. The policy establishes the following measures in regard to the issuance of debt. First, the City prefers to limit the amount of general obligation debt payment to 25% of the total general operating budget. Second, debt maturities shall be for the shortest time possible under the circumstances, and in no situation will debt maturities exceed the useful life of the asset being acquired or constructed. Third, the debt service property tax rate will be maintained between \$2.00 to \$3.00 per \$1,000 of valuation. Voter approved debt is removed from this calculation. Finally, the City's debt shall be rated by Moody's Investor Services and the City shall maintain its current "Aa2" rating.

The City Council also adopted Debt Service, Investment and Fund Transfer policies.

#### OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY12 was made by Kronlage & Olson, P.C., Certified Public Accountants. Their opinion has been included in this report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mason City, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-sixth consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and the various department heads and employees who assisted and contributed to its preparation. We wish to thank each one of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Kevin E. Jacobson Director of Finance

Kai E Jarohu

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Mason City Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



# FINANCIAL SECTION

Douglas E. Kronlage, CPA John C. Olson, CPA

#### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council City of Mason City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mason City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Mason City Housing Authority. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely upon the report of the other independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Mason City Housing Authority were audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports, dated December 28, 2012 on our consideration of the City of Mason City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 12 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City's financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital assets schedules and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Subsequent to the issuance of the financial statements dated December 28, 2012, it was determined that the information in the Compliance Section was materially misstated due to the absence of information related to Department of Transportation Planning and Highway Construction grants as more fully explained in Note 22 to the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City's financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Kronlage & Obon , P. C.

Charles City, Iowa

December 28, 2012

July 23, 2013 as related to Note 22

#### City of Mason City, Iowa Management's Discussion and Analysis

As management of the City of Mason City, we offer the readers of the City of Mason City's financial statements this narrative overview and analysis of the financial activities of the City of Mason City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

#### FINANCIAL HIGHLIGHTS

- The assets of the City of Mason City exceeded its liabilities at the close of June 30, 2012, by \$161.21 million (net assets). Of this amount, \$26.80 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ➤ The government's total net assets increased by \$13.34 million.
- ➤ At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$21.92 million, an increase of \$2.15 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5.165 million, or 27.72% of the total general fund expenditures.
- ➤ Total debt decreased by approximately \$4,623,000 (7.73%) during the current fiscal year. The City issued approximately \$4.36 million of new bonds and retired approximately \$8.99 million of existing bonds.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mason City's basic financial statements. The City of Mason City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mason City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Mason City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mason City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mason City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mason City include general government, police and fire protection, parks and recreation oriented activities, library services, museum services, airport, cemetery services, and street operations and maintenance. The major business-type activities of the City include the water and wastewater treatment facilities, storm sewer system, solid waste management collection, ambulance service, parking lots and the golf course. The City's two component units, the Museum Foundation and the Mason City Housing Authority are included. Financial information for the foundation is included with governmental special revenue funds, while the housing authority is shown separately as a component unit.

The government-wide financial statements can be found on pages 13-16 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mason City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mason City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mason City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Use Tax Fund and Debt Service, which are considered as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mason City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 17-28 of this report.

#### **Proprietary Funds**

The City of Mason City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sanitary Sewer funds. All other business type funds are combined into one non-major business type fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mason City uses internal service funds to account for its maintenance functions and employee health care trust. Because these services predominately benefit governmental rather than business type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Treatment and Sanitary Sewer as these are considered major funds of the City. Data from the other six enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 29-36 of this report.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 37-38 of this report.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-65 of this report.

#### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$161,209,465 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (80.9%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Mason City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Assets and Changes in Net Assets for the fiscal year ending June 30, 2012 and June 30, 2011.

	Governmental Business-Type					
	Acti	vities	Acti	vities	To	otal
	2012	2011	2012	2011	2012	2011
Current & other assets	\$ 41,567,850	\$40,451,919	\$ 8,873,311	\$ 9,451,046	\$ 50,441,161	\$ 49,902,965
Capital assets	109,449,069	104,201,664	76,069,841	72,297,911	185,518,910	176,499,575
Total assets	151,016,919	144,653,583	84,943,152	81,748,957	235,960,071	226,402,540
Long-term liabilities outstanding	22,058,321	24,138,588	27,324,354	30,235,184	49,382,675	54,373,772
Other liabilites	20,560,686	21,391,315	4,807,245	4,333,016	25,367,931	25,724,331
Total liabilites	42,619,007	45,529,903	32,131,599	34,568,200	74,750,606	80,098,103
Net Assets:						
Invested in capital assets, net	84,438,764	77,367,493	45,942,815	39,361,650	130,381,579	116,729,143
of related debt						
Restricted	1,160,831	1,142,649	2,863,129	2,866,968	4,023,960	4,009,617
Unrestricted	22,798,317	20,613,538	4,005,609	4,952,139	26,803,926	25,565,677
Total	\$108,397,912	\$99,123,680	\$52,811,553	\$47,180,757	\$ 161,209,465	\$ 146,304,437

A portion of the City of Mason City's net assets (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$26,803,926) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Mason City is able to report positive balances in all three categories of net assets, both for governmental as a whole, as well as separate governmental and business-type activities. As projects are finalized and closed, the majority are financed through the issuance of bonds, which are then repaid through the debt service levy or tax-increment financing.

There was an increase of \$1,238,249 in unrestricted net assets for the City of Mason City's governmental activities. The increase in governmental activities unrestricted net assets is due to the addition of Police Equipment and various Park improvements being added to the capital assets.

The government's net assets increased by \$13,340,206 for the current fiscal year. Most of the increase was due to the Sewer inflow and infiltration project, the Water System upgrades, the 19<sup>th</sup> ST widening project, East State Street rehabilitation and 6<sup>th</sup> ST SW improvements. A prior period adjustment for inclusion of customer developed subdivisions also added to the increase. See Note 6 for more detail. New capital grants used for various street and sewer projects also contributed to the increase in net assets.

#### **City of Mason City Change in Net Assets**

	Gover	nmental	Busines	ss-Type		
	Acti	ivities	Activ	vities	To	otal
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$ 1,658,658	\$ 1,586,677	\$ 13,607,068	\$ 13,542,557	\$ 15,265,726	\$ 15,129,234
Operating grants & contributions	4,303,876	3,748,874	37,354	619,206	4,341,230	4,368,080
Capital grants & contributions	8,315,838	10,109,341	4,030,634	914,735	12,346,472	11,024,076
General Revenues:						
Taxes	20,071,299	19,080,199	114,460	113,987	20,185,759	19,194,186
Investment earnings	259,331	596,673	108,031	81,894	367,362	678,567
Miscellaneous	1,098,186	645,710	112,040	96,638	1,210,226	742,348
Total revenues	35,707,188	35,767,474	18,009,587	15,369,017	53,716,775	51,136,491
Expenses:						
Public safety	9,787,453	9,402,887	-	-	9,787,453	9,402,887
Public works	7,382,204	7,450,233	-	-	7,382,204	7,450,233
Health & social services	906,341	808,916	-	-	906,341	808,916
Culture & recreation	4,091,975	3,503,976	-	-	4,091,975	3,503,976
Community & economic development	1,979,288	2,252,333	-	-	1,979,288	2,252,333
General government	2,211,823	2,176,829	-	-	2,211,823	2,176,829
Interest on debt	992,502	1,053,911	-	-	992,502	1,053,911
Water	-	-	5,158,365	5,218,343	5,158,365	5,218,343
Sewer	-	-	3,824,139	3,505,748	3,824,139	3,505,748
Other		-	4,042,479	3,966,449	4,042,479	3,966,449
Total expenses	27,351,586	26,649,085	13,024,983	12,690,540	40,376,569	39,339,625
Increase in net assets before transfers	8,355,602	9,118,389	4,984,604	2,678,477	13,340,206	11,796,866
Transfers	165,000		(165,000)	36,000	-	· -
Increase in net assets	8,520,602	9,082,389	4,819,604	2,714,477	13,340,206	11,796,866
Net assets 7-1-2011 (as restated)	99,123,680	90,041,291	47,180,757	44,466,280	146,304,437	134,507,571
Net assets 6-30-2012	\$ 107,644,282	\$ 99,123,680	\$ 52,000,361	\$ 47,180,757	\$ 159,644,643	\$ 146,304,437

#### **Governmental Activities**

The governmental activities' net assets for the City of Mason City increased by \$8,520,602 during the current fiscal year, accounting for 63.87% of the total increase in the net assets of the City of Mason City. The majority of the increase in the net assets is a result of street construction. A prior period adjustment for inclusion of customer developed subdivisions also added to the increase. See Note 6 for more detail.

#### **Business-type Activities**

Total net assets increased by \$4,819,604 for fiscal year 2012, accounting for 36.13% of the total growth in the City of Mason City's net assets. The increase is due to the City continuing upgrades of the water and sanitary sewer system.

Charges for services for business-type activities increased 0.47%. There was a 4.0% increase for water rates for fiscal year 2012. All other business-type fund rates remained the same as the prior year.

Operating expenses for business type activities increased by 2.6%. Expenses in the Water fund decreased by 1.1% while Sewer expenses increased by 9.0%. The other business type expenses increased by 1.9%. Water expenses were held relatively in check due to decreases in staffing levels. The increase in Sewer was due to additional interest costs associated with the plant expansion and all other business type activities was due directly to the increase in operating costs such as wage adjustments and insurance premiums the City pays.

#### Financial Analysis of the Government's Funds

As noted earlier, the City of Mason City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

In fiscal year 2011, the City adopted GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories and prepaid expenses. The Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$21,922,812, an increase of \$2,154,684 in comparison with the prior year. The increase is due to receiving federal grant funds for the flood buyout project in the HMGP and delaying expenses for road construction thereby building the Road Use Tax fund to be used on future road construction projects. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed 1) nonspendable for endowment principal and prepaid expenses (\$797,752); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$14,363,176); and 3) assigned purposes such as Airport, Museum, Library and recreation (\$1,752,844).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,165,554 while total fund balance reached \$6,987,753. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27.72% of total General Fund expenditures, while total fund balance represents 37.50% of that same amount.

The General Fund balance decreased by \$69,029. The major factors in this decrease are as follows:

➤ Health insurance costs for retired employees covered under Iowa Code 411 were greater than anticipated causing a use of General fund reserves to cover the additional costs.

The debt service fund has a total negative fund balance of \$8,624. The net increase of \$112,536 in fund balance during the current year in the debt service fund is due to the reduced interest costs from the refunding issue, additional taxes requested and additional transfers to clear the negative balance. The General Fund will transfer the necessary funds into the Debt Service Fund to eliminate the deficit balance during the next fiscal year

During the fiscal year, the City of Mason City issued bonds for the following projects:

- ➤ \$2,950,000 General Obligation bonds for an advanced refunding of three outstanding debt obligations.
- > \$1,400,000 General Obligation bonds for Police, Airport and Street projects as well as refunding current debt outstanding.

The basic governmental fund financial statements can be found on pages 17-26.

#### Proprietary Funds

The City of Mason City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$5,636,585. Water reported a decrease in net assets of \$459,413 and Sewer reported a decrease of \$409,257. Rates were increased by 4.0% for Water. Sewer and all other business-type funds had no rate increase. The decrease in each fund is due mainly to the use of cash to complete capital projects during the year.

The Capital Improvements Plan identifies and quantifies capital needs for the next several years. Rates in Water and Sanitation proprietary funds are anticipated to rise as capital projects are scheduled to begin construction in the next few years.

#### General Fund Budgetary Highlights

Differences between the original and final budget amounted to \$2,578,944 and the significant items are summarized as follows:

- ➤ Public safety expenses for overtime, Chapter 411 medical cost and office expense were increased by \$145,000.
- ➤ Health and Social Services was increased by \$242,000 for Youth Task Force activities originally not budgeted but funded through new state grants.
- ➤ Culture and Recreation increased by \$275,000 for additional supplies and equipment used in Parks, Recreation and Library services.
- ➤ Capital Projects was increased by \$1,700,000 for Airport FFA projects not completed in the prior fiscal year.

The variance between the amended budget and actual was due mainly to the additional expenses with public safety overtime and additional grant funds received and spent on social services activities as well as completion of an Airport capital project this fiscal year that was carried over from the prior fiscal year.

#### **Capital Asset and Debt Administration**

#### Capital Assets

The City of Mason City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$185,518,910 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- ➤ Street construction projects including the 19<sup>th</sup> ST widening, the 6th ST SW rehab, the Downtown Streetscape project as well as rehabilitation and intersection improvements were completed.
- ➤ The Airport completed a rescue and firefighter facility.
- > Several parks enhancements including the East Park Band Shell rehabilitation and trail maintenance projects were completed.
- > Water main reroutes were completed throughout the City.
- > The inflow and infiltration project continues to update the sewer infrastructure.

### City of Mason City's Capital Assets (net of depreciation)

Rucinocc-Typo

Covernmental

	Governmentai		Business-1 ype						
	Activities		Activities		Total				
	2012		2011	2012	2011		2012		2011
Land	\$ 2,634,356	\$	2,634,356	\$ 4,823,362	\$ 4,823,362	\$	7,457,718	\$	7,457,718
Buildings & Structures	13,706,878		3,850,084	12,930,462	12,575,793		26,637,340		16,425,877
Other Improvements	17,842,721		18,846,580	165,835	188,449		18,008,556		19,035,029
Machinery & Equipment	2,078,032		2,279,862	942,149	1,067,460		3,020,181		3,347,322
Vehicles	2,138,047		2,297,922	1,265,062	1,359,137		3,403,109		3,657,059
Infrastructure	50,525,675		45,664,988	53,623,020	48,883,746		104,148,695		94,548,734
Construction in Progress	20,523,360		28,627,872	2,319,951	3,399,964		22,843,311		32,027,836
Total	\$109,449,069	\$	104,201,664	\$76,069,841	\$72,297,911	\$	185,518,910	\$	176,499,575

Additional information on the City of Mason City's capital assets can be found in note 7 on pages 51-52 of this report.

#### Long-Term Debt

The amount of debt outstanding at fiscal yearend was \$55.18 million as compared to \$59.80 million last fiscal year. The decrease is a result of pay down of old debt while not issuing as much new debt for FY 2012 projects. New debt was issued for Police, Airport and street projects as well as refunding outstanding debt at a lower interest rate. Of the total general obligation debt outstanding, \$24.00 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water, sewer or ambulance revenues.

	City	of Mason C	ity's Outsta	nding Debt				
	Govern	nmental	Busine	ss-Type				
	Acti	Activities		Activities		Total		
	2012	2011	2012	2011	2012	2011		
General obligation	\$24,004,077	\$25,634,320	\$ 6,306,008	\$ 7,333,567	\$30,310,085	\$32,967,887		
Revenue bonds	1,049,774	1,233,400	23,821,018	25,602,694	24,870,792	26,836,094		
Total	\$25,053,851	\$26,867,720	\$30,127,026	\$32,936,261	\$55,180,877	\$59,803,981		

Moody's Investor Services continues to rate the City's General Obligation Bonds Aa2.

For more detailed information on the City's debt and amortization terms, please refer to Notes to the Financial Statements on page 55.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is \$81,919,465 and the City of Mason City is currently at \$31,154,774 or 38.03% of our outstanding general obligation debt. As a comparison, the legal debt limit was \$82,847,356 and Mason City had issued \$33,918,400 or 40.94% of its legal debt capacity for the previous fiscal year.

Additional information on the City of Mason City's long-term debt can be found in Note 10 on pages 55-58 of this report.

#### Economic Factors and Next Year's Budget and Rates

- ➤ The national average unemployment for June 2012 is 8.2%. The unemployment level for June 2011 was 9.2%. Cerro Gordo County's rate for June 2012 is 5.6%, and the state's rate is 5.1%.
- ➤ The hourly wage rate in Cerro Gordo County averaged \$16.30 for 2011 and \$17.55 for 1st quarter 2012.
- ➤ Retail sales in Cerro Gordo County were \$678 million for fiscal year ending 2012, slightly up from \$643 million in fiscal year 2011 and \$667 million in fiscal year 2010.
- ➤ The total value of building permits for fiscal year 2012 was approximately \$45.99 million. This compares with an amount of \$51.96 million for fiscal year 2011.

#### Next Year's Budget and Rates

For FY 2013, department managers were again instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 73% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

The City is planning to maintain the amount of spending on improvements for water and sewer infrastructure as well as to continue spending on street improvements. There are anticipated increases in fees for water and sanitation being projected for FY 2014. There are several capital projects currently under consideration for the FY 2014 budget. The capital projects will be funded with General Obligation bonds, existing fund balances or new revenues from sales tax, road use tax, and water charges for FY 2013. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be slightly above the midpoint of surveyed cities in Iowa that provide similar services.

#### Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Kevin E. Jacobson, Finance Director, City of Mason City, 10 1st Street N.W., Mason City, Iowa 50401.

#### CITY OF MASON CITY, IOWA STATEMENT OF NET ASSETS JUNE 30, 2012

Primary Government Governmental Business-Type Component Activities Activities Unit Total ASSETS: Current assets: Cash \$ 4,439,510 \$ 878,989 \$ 5,318,499 \$212,740 18,322,131 3,250,166 21,572,297 Investments Receivables: 121,270 14,013,765 13,892,495 Taxes Special assessments 179**,**873 21,554 201,427 Accounts (net) 26,643 1,987,510 2,014,153 9,345 Accrued interest 1,640 15**,**838 17**,**478 \_ 10,000 \_ Notes 10,000 1,573,917 (1,573,917)Internal balances 2,997,793 Due from other governments 2,152,032 845**,**761 24,758 Prepaid insurance 164,255 47,394 211,649 \_ 31,250 Inventory 428,846 460,096 \_ 5,956 Deferred charges \$ 40,807,944 \$ 6,009,213 46,817,157 Total current assets Noncurrent assets: Restricted assets: 4,911 Cash \$ 1,512,647 \$ 1,517,558 \$174,962 1,350,000 Investments 521,609 1,871,609 1,155 482 \_ Receivables 673 Notes receivable 60,000 \_ 60,000 Special assessments 969 172,713 173,682 Capital assets: Land and construction in 23,157,716 7,143,313 30,301,029 progress Other capital assets net of 86,291,353 68,926,528 155,217,881 depreciation 5,342 \$78,933,939 \$110,208,975 Total noncurrent assets \$189,142,914 \$180,304 Total assets \$151,016,919 \$84,943,152 \$235,960,071 \$433,103 LIABILITIES: Current liabilities: Accounts payable \$ 1,367,872 \$ 5,189 367,017 \$ 1,734,889 688,734 Salaries payable 509,671 179,063 8,671 Contracts payable 274,528 632,151 906**,**679 Accrued compensated absences 1,012,693 305,219 1,317,912 11,533 145,749 Accrued interest payable 67**,**597 78,152 23,705 Due to other governments 4,833 28,538 1,393 Due to customers 91**,**736 91**,**736 Unearned revenue 13,981,198 \_ 13,981,198 42,579 Prepaid interments 42,579 Deferred revenue 121,108 121,108 Current portion of long-term debt: Bonds payable 3,342,294 2,966,515 6,308,809 Total current liabilities \$ 20,560,686 \$ 4,807,245 \$ 25,367,931 \$ 26,786 Noncurrent liabilities: Bonds payable \$ 21,668,011 \$27,160,511 \$ 48,828,522 \_\_\_\_390,310 \_\_\_\_554,153 Net OPEB obligation 163**,**843 Total noncurrent liabilities \$ 22,058,321 \$27,324,354 \$ 49,382,675 Total liabilities \$ 42,619,007 \$32,131,599 \$ 74,750,606

(continued)

#### CITY OF MASON CITY, IOWA STATEMENT OF NET ASSETS JUNE 30, 2012

Primary Government Governmental Business-Type Component Activities Activities Unit Total NET ASSETS: Invested in capital assets-net of \$ 84,438,764 \$45,942,815 \$130,381,579 \$ 5,342 related debt Restricted for: Nonexpendable: 633,638 633,638 Museum funding Perpetual care 527,193 527,193 Expendable: Bond retirement 2,863,129 2,863,129 Housing assistance payments 174,962 22,798,317 4,005,609 26,803,926 226,013 Unrestricted \$108,397,912 \$52,811,553 \$161,209,465 \$406,317 Total net assets

#### CITY OF MASON CITY, IOWA STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

			Program
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:	Expenses	Services	Contributions
Governmental activities:			
Public safety	\$ 9,787,453	\$ 381,382	\$ 208,492
Public works	7,382,204	116,101	2,632,680
Health and social services	906,341	144	480,446
Culture and recreation	4,091,975	540,478	202,577
Community and economic development	1,979,288	308,579	779,681
General government	2,211,823	311,974	-
Interest on long-term debt	992,502	-	_
Total governmental activities	\$27,351,586	\$ 1,658,658	\$4,303,876
Business-type activities:			
Cemetery	\$ 333 <b>,</b> 251	\$ 98,873	\$ -
Water	5,158,365	5,388,342	-
Sewer	3,824,139	4,388,117	37 <b>,</b> 354
Parking lots	112,947	67 <b>,</b> 480	_
Storm sewer	186,745	283 <b>,</b> 573	_
Solid waste	1,378,497	1,209,671	-
Golf course	449,534	390 <b>,</b> 453	-
Ambulance	1,581,505	<u>1,780,559</u>	
Total business-type activities	\$13,024,983	\$13,607,068	\$ 37,354
Total primary government	<u>\$40,376,569</u>	<u>\$15,265,726</u>	\$4,341,230
Component unit:			
Mason City Housing Authority	<u>\$ 2,250,203</u>	<u>\$ 99,243</u>	<u>\$2,166,080</u>

General Revenues:

Property taxes

Other taxes

Unrestricted state utility tax replacement

Grants and contributions not restricted

to specific program

Unrestricted investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning (as restated)

Net assets - ending

Net (Expense) Revenue and Change in Net Assets

Revenue	<del>-</del>	mary Government	III NCC IIIICC	
Capital				
Grants and	Governmental	Business-Type		Component
Contributions	Activities	Activities	Total	Unit
\$ -	\$ (9,197,579)	\$ -	\$ (9,197,579)	\$ -
4,879,524	246,101	_	246,101	_
-	(425 <b>,</b> 751)	-	(425,751)	_
233 <b>,</b> 673	(3,115,247)	-	(3,115,247)	_
3,202,641	2,311,613	_	2,311,613	-
-	(1,899,849)	-	(1,899,849)	-
-	(992,502)		(992,502)	
\$ 8,315,838	\$(13,073,214)	<u>\$</u>	\$(13,073,214)	\$ -
\$ -	\$ <b>-</b>	\$ (234,378)	\$ (234,378)	\$ -
136,261	_	366,238	366,238	_
3,864,033	_	4,465,365	4,465,365	_
-	_	(45,467)	(45,467)	_
30,340	_	127,168	127,168	_
-	_	(168,826)	(168,826)	_
-	_	(59,081)	(59 <b>,</b> 081)	_
		199,054	199,054	
\$ 4,030,634	\$ -	\$ 4,650,073	\$ 4,650,073	\$ -
<u>\$12,346,472</u>	<u>\$ (13,073,214</u> )	<u>\$ 4,650,073</u>	<u>\$ (8,423,141</u> )	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,120</u>
	\$ 14,594,866 5,319,902 156,531	\$ 114,460 - -	\$ 14,709,326 5,319,902 156,531	\$ - - -
	95,746 1,002,440 259,331 165,000	112,040 108,031 (165,000)	95,746 1,114,480 367,362	1,630
	\$ 21,593,816	\$ 169,531	\$ 21,763,347	\$ 1,630
	\$ 8,520,602 99,877,310 \$108,397,912	\$ 4,819,604 47,991,949 <b>\$52,811,553</b>	\$ 13,340,206 147,869,259 <b>\$161,209,465</b>	\$ 16,750 389,567 <b>\$406,317</b>

#### CITY OF MASON CITY, IOWA GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2012

	General	Road Use Tax
ASSETS:		
Cash	\$ 2,039,583	\$ 476,389
Investments	4,475,700	2,600,000
Receivables:		
Property taxes	8,498,100	489
Other taxes	5 <b>,</b> 260	-
Accrued interest	2 <b>,</b> 730	-
Special assessments - current	85 <b>,</b> 899	77 <b>,</b> 474
Special assessments - deferred	1,398	2,815
Accounts (net)	24 <b>,</b> 473	689
Notes	<u>-</u>	
Due from other funds	2,026,893	222,629
Due from state government	609,738	205,819
Due from federal government	327,079	<del>.</del>
Prepaid insurance	151 <b>,</b> 565	12,549
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest		
Total assets	<u>\$18,248,418</u>	<u>\$3,598,853</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 469,616	\$ 258,328
Salaries payable	466,698	35,542
Contracts payable	199,592	65,211
Accrued vacation payable	942,342	63,125
Due to other funds	682,491	32,788
Due to state government	4,027	-
Unearned revenue	8,495,899	2,815
Total liabilities	\$11,260,665	\$ 457,809
10001 11001110100	411/200/000	4 10//005
Fund Balances:		
Nonspendable	\$ 151 <b>,</b> 565	\$ 12 <b>,</b> 549
Restricted	1,295,953	3,128,495
Assigned	374,681	_
Unassigned	5,165,554	_
Total fund balances	\$ 6,987,753	\$3,141,044
Total liabilities and fund balance	\$18,248,418	\$3,598,853

Debt Service	Other Governmental	Total
\$ - 700,000	\$ 1,228,324 9,917,402	\$ 3,744,296 17,693,102
3,318,220 340 - - - 14,114 - -	1,348,045 - 11,842 16,500 168,500 1,481 10,000 181,023 1,009,396	13,164,854 5,260 14,912 179,873 172,713 26,643 10,000 2,444,659 1,824,953 327,079 164,114
- - - <u>\$4,032,674</u>	4,911 521,609 673 <b>\$14,419,706</b>	4,911 521,609 673 <b>\$40,299,651</b>
\$ - - 759,970 - 3,281,328 \$4,041,298	\$ 91,187 1,270 9,724 - 1,049,699 806 1,464,381 \$ 2,617,067	\$ 819,132 503,510 274,527 1,005,467 2,524,947 4,833 13,244,423 \$18,376,839
\$ - - (8,624) \$ (8,624) \$4,032,674	\$ 633,638 9,938,728 1,378,163 (147,890) \$11,802,639 \$14,419,706	\$ 797,752 14,363,176 1,752,844 5,009,040 \$21,922,812 \$40,299,651

#### CITY OF MASON CITY, IOWA RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

Fund balances-total governmental funds	\$ 21,922,812
Amounts reported for governmental activities in the statement of net assets are different because:	
Inventories used in governmental activities recorded under the purchases method of accounting are not reported as current assets.	31,250
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	59,570
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	109,412,121
Internal service funds, net assets	2,439,651
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:	
Bonds payable \$(25,053,851) Accrued interest (67,597) Bond discount 43,546 Net OPEB obligation (390,310)	(25,468,212)
Net assets of governmental activities	\$108,397,192

#### CITY OF MASON CITY, IOWA

#### GOVERNMENTAL FUNDS

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

	General	Road Use Tax
REVENUES:		
Property taxes	\$ 8,028,152	\$ -
TIF revenues	2 505 742	-
Other taxes	3,585,743	_
Licenses and permits	598,403	4 (12 5(0
Intergovernmental	4,366,738	4,613,560
Charges for service	746,445	(186)
Fines and forfeitures	83,949	478
Use of money and property	323,614	563
Special assessments Miscellaneous	5 <b>,</b> 733	303
Refunds	540,841	6 069
	8,428	6,968 \$4,621,383
Total revenues	\$18,288,046	34,621,363
EXPENDITURES:		
Current:	¢ 7 CCC 170	Ċ
Public safety	\$ 7,666,178	2 0 0 0 7 1 0
Public works	952 <b>,</b> 424	2,069,746
Health & social services	820 <b>,</b> 950	_
Culture & recreation	2,828,114	_
Community & economic development	953,961 1,993,811	_
General government	· ·	2 700 122
Capital projects Debt Service:	3,416,549	2,780,123
Principal retirement	_	_
Interest	_	_
Contractual	_	_
Total expenditures	\$18,631,987	\$4,849,869
Total expendicules	410/031/307	<u> </u>
Excess (deficiency) of revenues	ć (242 041)	ć (220 40C)
over (under) expenditures	\$ (343,941)	\$ (228,486)
Other financing sources (uses):		
Proceeds from refunding bonds	\$ -	\$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	118,000	831 <b>,</b> 000
Premium/discount on bonds		<del>.</del>
Transfers in	404,084	1,099,000
Transfers out	(247,172)	(418,897)
Total other financing sources (uses)	\$ 274,912	\$1,511,103
Net change in fund balance	\$ (69,029)	\$1,282,617
Fund balance beginning of year	7,056,782	1,858,427
Fund balance end of year	\$ 6,987,753	\$3,141,044

See Notes to Financial Statements.

Debt Service	Other Governmental	Total
\$ 3,026,876 - - - - - 6,080 - - - \$ 3,032,956	\$ 1,274,125 1,500,976 1,890,690 3,241,860 204,057 636,497 19,694 149,298 \$ 8,917,197	\$12,329,153 1,500,976 5,476,433 598,403 12,222,158 950,316 83,949 966,669 25,990 690,139 15,396 \$34,859,582
\$ - - - - - -	\$ 1,269,123 108,353 32,805 264,775 4,518,431 107,914 240,518	\$ 8,935,301 3,130,523 853,755 3,092,889 5,472,392 2,101,725 6,437,190
3,363,870 956,803 62,470 \$ 4,383,143	\$ 6,541,919	3,363,870 956,803 62,470 \$34,406,918
\$(1,350,187)	\$ 2,375,278	\$ 452,664
\$ 2,144,077 (1,994,077) 451,000 (12,980) 874,703 - \$ 1,462,723	\$ - - 450,735 (1,997,453) \$(1,546,718)	\$ 2,144,077 (1,994,077) 1,400,000 (12,980) 2,828,522 (2,663,522) \$ 1,702,020
\$ 112,536	\$ 828,560	\$ 2,154,684
(121,160) \$ (8,624)	10,974,079 \$11,802,639	19,768,128 \$21,922,812

# CITY OF MASON CITY, IOWA RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances—total governmental funds

\$2,154,684

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital assets sold.

(396, 442)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay
Depreciation expense

\$14,417,257 (5,524,461)

8,892,796

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayments of bond principal	\$5,357,947
Issuance of debt	(3,531,097)
Accrued interest	(26 <b>,</b> 772)
Amortization of bond discount	(2,983)
Other post-employment benefits	(127,178)

(1,669,917)

Internal service funds net change

(460,519)

Change in net assets-governmental activities

\$8,520,602

### CITY OF MASON CITY, IOWA

### GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES-BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual
REVENUES:			
Property tax	\$ 8,029,248	\$ 8,029,248	\$ 8,028,152
Other tax	3,136,447	3,136,447	3,585,743
Licenses and permits	584,725	584,725	598,403
Intergovernmental	2,947,989	4,922,833	4,366,738
Charges for service	1,094,759	1,105,259	746,445
Fines and forfeitures	· -	_	83,949
Use of money and property	207,741	207,741	323,614
Special assessments	· –	_	5,733
Miscellaneous	277 <b>,</b> 268	277,268	540,841
Refunds	_	_	8,428
Total revenues	\$16,278,177	\$18,263,521	\$18,288,046
EXPENDITURES:			
Current:			
Public safety	\$ 7,744,051	\$ 7,924,051	\$ 7 <b>,</b> 666 <b>,</b> 179
Public works	995,387	995,387	952,424
Health & social services	644,597	893,616	820 <b>,</b> 950
Culture & recreation	2,715,849	2,994,349	2,828,114
Community & economic development	1,129,439	1,129,439	953,961
General government	2,161,602	2,316,402	1,993,811
Capital projects	3,248,074	4,964,699	3,416,549
Total expenditures	\$18,638,999	\$21,217,943	\$18,631,988
Excess (deficiency) of revenues			
over (under) expenditures	\$(2,360,822)	\$(2,954,422)	\$ (343,942)
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 998 <b>,</b> 853	\$ 1,006,453	\$ 118,000
Transfers in	1,298,921	1,298,921	404,084
Transfers out	<u>(298,920</u> )	(298 <b>,</b> 920)	<u>(247,171</u> )
Total other financing sources			
(uses)	\$ 1,998,854	\$ 2,006,454	\$ 274,913
Net change in fund balance	\$ (361,968)	\$ (947,968)	\$ (69,029)
Fund balance beginning of year			7,056,782
Fund balance end of year	<u>\$ (361,968</u> )	<u>\$ (947,968</u> )	\$ 6,987,753

#### Variance with Amended Budget Positive

 Negative)
\$ (1,096) 449,296 13,678 (556,095) (358,814) 83,949 115,873 5,733 263,573 8,428 24,525
\$ 257,872 42,963 72,666 166,235 175,478 322,591 1,548,150 2,585,955
\$ 2,610,480
\$ (888,453) (894,837) 51,749
\$ 1,731,541)
\$ 878,939
 7,056,782

#### \$ 7,935,721

### CITY OF MASON CITY, IOWA ROAD USE TAX FUND

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual
REVENUES:			
<pre>Intergovernmental:</pre>			
Road use tax allocation	\$ 4,281,758	\$ 4,392,258	\$4,613,560
Charges for service	-	-	(186)
Use of money and property	-	-	478
Special assessments	-	<del>-</del>	563
Miscellaneous	45,000	45,000	-
Refund	<u> </u>	<u> </u>	6,968
Total revenues	\$ 4,326,758	\$ 4,437,258	\$4,621,383
EXPENDITURES:			
Current:			
Public works:	A 1 160 F00	å 1 160 F00	41 100 106
Personal services	\$ 1,169,588	\$ 1,169,588	\$1,120,496
Contractual Commodities	542,972 449,462	542,972 467,462	482,881 466,369
Other	449,402	399,000	400,309
Total public works	\$ 2,162,022	\$ 2,579,022	\$2,069,746
Capital projects	4,392,944	4,503,444	2,780,123
Total expenditures	\$ 6,554,966	\$ 7,082,466	\$4,849,869
Excess (deficiency) of revenues over			
(under) expenditures	\$(2,228,208)	\$(2,645,208)	<u>\$ (228,486</u> )
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 831,120	\$ 1,230,120	\$ 831,000
Transfers in	1,099,000	1,099,000	1,099,000
Transfers out	(20,000)	(20,000)	(418,897)
Total other financing sources	<b>4</b> 1 010 100	<b>4</b> 0 200 100	ά1 F11 100
(uses)	\$ 1,910,120	\$ 2,309,120	\$1,511,103
Net change in fund balance	\$ (318,088)	\$ (336,088)	\$1,282,617
Fund balance beginning of year			1,858,427
Fund balance end of year	<u>\$ (318,088</u> )	<u>\$ (336,088</u> )	\$3,141,044

#### Variance with Amended Budget Positive (Negative)

#### \$ 221,302 (186) 478 563 (45,000) 6,968 \$ 184,125

\$ 49,092
60,091
1,093
399,000
\$ 509,276
1,723,321
\$ 2,232,597

- \$ 2,416,722
- \$ (399,120) -
- (398**,**897)
- \$ (798,017)
- \$ 1,618,705
- 1,858,427

#### \$ 3,477,132

#### CITY OF MASON CITY, IOWA PROPRIETARY FUNDS STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

	Waterworks	Sewer Rental
ASSETS:		
Current assets:		
Cash	\$ -	\$ 303,555
Investments (at cost)	1,850,116	650,000
Receivables:		
Property taxes	_	-
Special assessments - current	_	21,554
Special assessments - deferred	_	969
Accounts (net)	684,043	487 <b>,</b> 159
Accrued interest	583	759
Inventory	298 <b>,</b> 869	71,692
Due from other funds	75 <b>,</b> 192	551 <b>,</b> 036
Due from state government	264,217	576 <b>,</b> 604
Prepaid insurance	16 <b>,</b> 399	25 <b>,</b> 374
Total current assets	\$ 3,189,419	\$ 2,688,702
Noncurrent assets:		
Restricted assets:		
Cash	\$ 1,308,919	\$ 203 <b>,</b> 728
Investments	500 <b>,</b> 000	850 <b>,</b> 000
Accrued interest	307	175
Total restricted assets	\$ 1,809,226	\$ 1,053,903
Property, plant and equipment:		
Land	\$ 167 <b>,</b> 220	\$ 316 <b>,</b> 209
Buildings	15,462,979	-
Equipment	915 <b>,</b> 810	908 <b>,</b> 457
Distribution system	31,471,273	-
Meters	1,237,006	-
Plant and improvements	-	32,165,719
Sewer lines and lifts	_	16,118,699
Improvements	_	_
Vehicles	475 <b>,</b> 884	905 <b>,</b> 368
Construction in progress	365,866	1,945,868
Total property, plant and equipment	\$50,096,038	\$52,360,320
Less accumulated depreciation	(15,627,808)	(19,721,196)
Net property, plant and equipment	\$34,468,230	\$32,639,124
Total noncurrent assets	\$36,277,456	\$33 <b>,</b> 693 <b>,</b> 027
Total assets	\$39,466,875	\$36,381,729

Governmental	
Activities-	
Internal	

Other	Total	Internal Service
\$ 575,434 750,050	\$ 878,989 3,250,166	\$ 695,212 629,029
121,270 - 816,308 298 58,285 107,946 4,940	121,270 21,554 969 1,987,510 1,640 428,846 734,174 845,761	722,382 - - - 635 - 23,236
5,621 \$ 2,440,152	\$ 8,318,273	\$2,070,635
\$ - - -	\$ 1,512,647 1,350,000 482	\$
\$ 4,339,933 1,471,560 1,174,078	\$ 2,863,129 \$ 4,823,362 16,934,539 2,998,345	\$ - 105,098
4,208,080 3,065,432 1,659,177 8,217	31,471,273 1,237,006 32,165,719 20,326,779 3,065,432 3,040,429 2,319,951	- - - - 85,174
\$15,926,477 (6,963,990) \$ 8,962,487	\$118,382,835 (42,312,994) \$ 76,069,841	\$ 190,272 (153,324) \$ 36,948
\$ 8,962,487 \$11,402,639	\$ 78,932,970 \$ 87,251,243	\$ 36,948 \$2,107,583

#### CITY OF MASON CITY, IOWA PROPRIETARY FUNDS STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

	Waterworks	Sewer Rental
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 81,053	\$ 193 <b>,</b> 704
Salaries payable	52,942	35 <b>,</b> 064
Contracts payable	278,749	353,402
Accrued vacation payable	82,644	72,550
Accrued interest payable	36,922	40,350
Due to other funds	559,903	7,830
Due to state government	21,415	· –
Due to customers	91,736	_
General obligation bonds	544,240	378,240
General obligation notes	_	_
Revenue bonds	1,038,000	824,000
Prepaid interments	_	_
Unearned revenue	_	969
Total current liabilities	\$ 2,787,604	\$ 1,906,109
	4 27 10 17 00 1	4 1/300/103
Long-term debt:	A 0 540 041	<b>A</b> 0 506 000
General obligation bonds	\$ 2,542,241	\$ 2,536,202
General obligation notes	-	-
Revenue bonds		11,664,000
Unamortized bond discount	(59,915)	(126,067)
Net OPEB obligation	55,354	34,761
Total long-term debt	\$13,018,680	\$14,108,896
Total liabilities	\$15,806,284	\$16,015,005
Net assets:		
Invested in capital assets, net of related debt	\$19,922,664	\$17,362,749
Restricted for:		
Bond retirement	1,809,226	1,053,903
Unrestricted	1,928,701	1,950,072
Total net assets	<u>\$23,660,591</u>	\$20,366,724

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net assets of business-type activities

Governmental
Activities-
Internal

Other	Total	Service
\$ 92,260 91,057	\$ 367,017 179,063 632,151	\$ 548,740 6,161
150,025 880	305,219 78,152	7 <b>,</b> 226
109,382 2,290	677,115 23,705 91,736	6 -
100,000 82,035	1,022,480 82,035	-
42,579 120,139	1,862,000 42,579 121,108	736 <b>,</b> 775
\$ 790,647	\$ 5,484,360	\$1,298,908
\$ - 123,050 - -	\$ 5,078,443 123,050 22,145,000 (185,982)	\$ - - -
73,728 \$ 196,778	163,843 \$27,324,354	\$ <u>-</u>
\$ 987,425	\$32,808,714	\$1,298,908
\$ 8,657,402	\$45,942,815	\$ 36,948
1,757,812	2,863,129 5,636,585	771,727
\$10,415,214	\$54,442,529	<u>\$ 808,675</u>

(1,630,976)

\$52,811,553

### CITY OF MASON CITY, IOWA

#### PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	Waterworks	Sewer Rental
Operating revenues:		
Charges for service	\$ 5,388,341	\$ 4,386,606
Health insurance contributions	_	_
Total operating revenues	\$ 5,388,341	\$ 4,386,606
Operating expenses:		
Business type activities:		
Personal service	\$ 1,516,033	\$ 1,089,534
Contractual	837 <b>,</b> 221	559 <b>,</b> 480
Commodities	782 <b>,</b> 770	244,750
Other	28,884	60,346
Depreciation	1,363,846	1,264,268
Amortization	10,240	2,084
Total operating expenses	\$ 4,538,994	\$ 3,220,462
Operating income (loss)	\$ 849,347	\$ 1,166,144
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Intergovernmental	_	37 <b>,</b> 354
Fines and forfeitures	_	-
Use of money and property	45 <b>,</b> 124	7 <b>,</b> 395
Special assessments	_	969
Miscellaneous	43,433	10,623
Interest	(508 <b>,</b> 115)	(531 <b>,</b> 736)
Loss on disposal of assets	(297)	
Total nonoperating revenue (expense)	\$ (419,855)	\$ (475,395)
Income (loss) before contributions and transfers	\$ 429,492	\$ 690,749
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(60 <b>,</b> 000)	(60 <b>,</b> 000)
Capital contributions	136,261	3,864,033
Total contributions and transfers	\$ 76,261 \$ 505,753	\$ 3,804,033
Change in net assets	\$ 505,753	\$ 4,494,782
Net assets beginning of year (as restated)	23,154,838	15,871,942
Net assets end of year	<u>\$23,660,591</u>	<u>\$20,366,724</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net assets of business-type activities

See Notes to Financial Statements.

Other	Total	Governmental Activities- Internal Service
\$ 3,787,603	\$13,562,550	\$ 287,828
\$ 3,787,603	\$13,562,550	2,462,012 \$2,749,840
\$ 2,500,179 513,395 367,053 4,060 508,979 - \$ 3,893,666	\$ 5,105,746 1,910,096 1,394,573 93,290 3,137,093 12,324 \$11,653,122	\$3,654,069 15,636 25,298 - 14,215 - \$3,709,218
\$ (106,063)	\$ 1,909,428	\$ (959,378)
\$ 114,460 816 43,006 59,521 542 53,159 (15,715) (14,311) \$ 241,478	\$ 114,460 38,170 43,006 112,040 1,511 107,215 (1,055,566) (14,608) \$ (653,772)	\$ 764,733 - - 35,812 - - - \$ 800,545
\$ 135,415	\$ 1,255,656	\$ (158,833)
\$ 25,000 (70,000) 30,340 \$ (14,660) \$ 120,755	\$ 25,000 (190,000) 4,030,634 \$ 3,865,634 \$ 5,121,290	\$ - - - \$ - \$ (158,833)
10,294,459		967,508
\$10,415,214		<u>\$ 808,675</u>

(301,686)

\$ 4,819,604

#### CITY OF MASON CITY, IOWA PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

	_	Sewer
	Waterworks	Rental
Cash flows from operating activities:	Ċ	Ć.
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others Cash received from customers	5,558,598	4,360,518
Cash paid to employees for services	(1,525,779)	
Cash paid to other suppliers of goods or services Cash paid for health and life insurance	(2,020,345)	(821,949)
Rent received from operating assets	39 <b>,</b> 494	_
Proceeds from miscellaneous items	43,433	11,592
Net cash provided (used) by operating	43,433	11,392
activities	\$ 2,095,401	\$ 2,446,675
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	_	_
Transfers out	(60,000)	(60 <b>,</b> 000)
Intergovernmental proceeds	-	282 <b>,</b> 329
Advance from (to) other funds	551,036	(551,036)
Advance repayment from (to) other funds	538,813	<u>-</u> _
Net cash provided (used) by non-capital		
financing activities	\$ 1,029,849	\$ (328 <b>,</b> 707)
Cash flows from capital and related financing		
activities:	ć (000 CEO)	Ċ / / EEC 700\
Net acquisition of capital assets	\$ (809,658)	\$ (4,556,723)
Proceeds from sale of capital assets	(1 702 402)	(1 607 107)
Principal payments	(1,792,482)	(1,627,127)
Interest payments Proceeds from issuance of bonds	(512,881) 451,482	(535,729) 354,442
Capital contributions	24,982	3,577,504
Net cash provided (used) for capital and	24,302	3,377,304
related financing activities	\$(2,638,557)	\$(2,787,633)
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 5,075,000	\$ 4,750,000
Purchase of investments	(5,450,000)	(4,275,000)
Interest received	5,343	7,371
Rent received on investment property	-	-
Net cash provided (used) by investing		
activities	\$ (369,657)	\$ 482,371
Net increase (decrease) in cash	\$ 117 <b>,</b> 036	\$ (187,294)
Cash beginning of year	, , , , , , , , , , , , , , , , , , , ,	
cash beginning of year	1,191,883	694,577
Cash end of year	<u>\$ 1,308,919</u>	<u>\$ 507,283</u>
Noncash capital, investing and financing activities: Capital contributions	\$ 111 <b>,</b> 279	\$ 286 <b>,</b> 529
	<u> </u>	<u> </u>
Increase in fair value of investments	<u>Ş</u> –	<u>\$</u>

(continued)

Other	Total	Governmental Activities- Internal Service
\$ -	\$ -	\$ 2,330,524
3,768,657 (2,510,996) (962,480) - - 97,523	13,687,773 (5,140,261) (3,804,774) - 39,494 152,548	421,099 - (184,203) (74,630) (3,655,691)
\$ 392,704	\$ 4,934,780	\$(1,162,901)
\$ 114,834 25,000 (70,000) - (1,420) 31,188 \$ 99,602	\$ 114,834 25,000 (190,000) 282,329 (1,420) 570,001 \$ 800,744	\$ 767,333 - - - - - \$ 767,333
\$ (212,648) 800 (177,802) (16,254)	\$ (5,579,029) 800 (3,597,411) (1,064,864) 805,924 3,602,486	\$ - - - - - -
\$ (405,904)	\$(5,832,094)	\$ -
\$1,550,000 (1,525,000) 24,880 23,991	\$11,375,000 (11,250,000) 37,594 23,991	\$ 1,300,000 (900,000) 13,644
\$ 73 <b>,</b> 871	\$ 186,585	\$ 413,644
\$ 160,273 415,161	\$ 90,015 2,301,621	\$ 18,076 677,136
<u>\$ 575,434</u>	<u>\$ 2,391,636</u>	\$ 695,212
\$ 30,340 \$ -	<u>\$ 428,148</u> <u>\$ -</u>	<u>\$</u> \$ 22,853

#### CITY OF MASON CITY, IOWA PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	Waterworks	Sewer Rental
Operating income (loss)	\$ 849,347	\$1,166,144
Adjustments to reconcile operating income to net cash from operating activities:		
	1 271 006	1 266 252
Depreciation and amortization expense Rental income	1,374,086 39,494	1,266,352
Miscellaneous income	43,433	11,592
Change in assets and liabilities:	43,433	11, 392
(Increase) decrease in receivables	(73,392)	16,387
(Increase) decrease in inventory	(7,811)	(43,998)
(Increase) decrease in due from other funds	3,459	(43,330)
(Increase) decrease in prepaid insurance	3 <b>,</b> 133	10,976
Increase (decrease) in accounts and contracts		10/3/0
payable	(107,003)	26,445
Increase (decrease) in salaries payable	(18,841)	(13,614)
Increase (decrease) in accrued compensated absences	(2,584)	(7,539)
Increase (decrease) in due to other funds	(11,289)	5,742
Increase (decrease) in due to state government	(5,824)	· –
Increase (decrease) in due to customers	(194)	_
Increase (decrease) in prepaid interments		_
Increase (decrease) in unearned revenue	_	(969)
Increase (decrease) in net OPEB obligation	12,520	9,157
Net cash provided (used) by operating activities	<u>\$2,095,401</u>	<u>\$2,446,675</u>

Other	Total	Governmental Activities- Internal Service	
\$(106,063)	\$1,909,428	\$	(959 <b>,</b> 378)
508 <b>,</b> 979	3,149,417		14,215
97 <b>,</b> 523	39,494 152,548		_
(60,400) (21,772)	(117,405) (73,581)		_
_	3,459		(461)
(522)	10,454		-
(19,689)	(100,247)		(181,176)
(32,231) 15,816	(64,686) 5,693		(2,184) (1,668)
(4,022)	(9,569)		(33,660)
(1,082)	(6,906)		_
- (4,575)	(194) (4,575)		_
(825)	(1,794)		1,411
21,567	43,244		
<u>\$ 392,704</u>	<u>\$4,934,780</u>	<u>\$ (</u>	<u>1,162,901</u> )

#### CITY OF MASON CITY, IOWA FIDUCIARY FUND STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

	Firemen's Pension
ASSETS: Cash	<u> </u>
Receivables:	\$ 5,055
Property taxes	7,266 \$12,321
Total assets	\$12,321
LIABILITIES:	
Deferred revenue	7,200
NET ASSETS:	
Held in trust for pension benefits	<u>\$ 5,121</u>

#### CITY OF MASON CITY, IOWA FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	Firemen's Pension
ADDITIONS: Use of money and property	\$6,897
DEDUCTIONS: Public safety: Benefits paid	_6,697
Change in net assets	\$ 200
Net assets beginning of year	4,921
Net assets end of year	<u>\$5,121</u>

#### (1) Financial Reporting Entity

The City of Mason City is a political subdivision of the State of Iowa. It was first incorporated on December 21, 1869 and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government and provides for public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, public transit and general administrative services.

For financial reporting purposes, the City of Mason City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Mason City has determined the MacNider Art Museum Foundation meets the Governmental Accounting Standards Board criteria for a blended component unit and, accordingly, has been included in special revenue funds. The directors of the foundation are appointed by the directors of the museum who are appointed by the Mayor and approved by the Council. The Foundation exists to support the City-owned MacNider Museum. The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit. The Authority's commissioners are appointed by the Mayor and approved by the Council. The Authority provides low-income housing to the citizens of Mason City. Complete financial statements of the Mason City Housing Authority may be obtained at the entity's administrative offices at 22 N. Georgia, Suite 214, Mason City, IA 50401.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, City of Mason City's City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Landfill of North Iowa Board and Cerro Gordo County Joint E911 Service Board.

#### (2) Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

#### (A) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

#### (2) Summary of Significant Accounting Policies - continued

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

### (B) $\frac{\text{Measurement focus, basis of accounting, and financial statement}}{\text{presentation}}$

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### (2) Summary of Significant Accounting Policies - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds, revenue from grant revenues is recorded as unearned revenue until they become available.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Income from accounts receivables and unbilled usage is recognized when earned. Licenses and permits, fines and forfeiture fees and refunds, charges for services (other than enterprise), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment receivables are recorded at the time of their levy. The related revenue is recognized at the time it is due in the governmental funds and when levied for government-wide statements.

The City of Mason City reports the following major governmental funds:

#### General Fund

The General Fund accounts for all the financial resources of the City, except for those required to be accounted for by other funds. The revenues of the General Fund are primarily derived from general property taxes, charges for services, fines and forfeitures, licenses and permits, and certain revenues from state and federal sources. The expenditures of the General Fund primarily relate to general administration, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities.

#### (2) Summary of Significant Accounting Policies - continued

Road Use Tax Fund

The Road Use Tax Fund accounts for the operations of the street maintenance department. Financing is provided by the City's share of state gasoline taxes. State law requires these taxes to be used to maintain streets.

#### Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term and special debt principal, interest and related costs. Financing is through annual property tax levies. Tax levies in excess of actual requirements are legally restricted to service of this debt.

The City reports the following major proprietary funds:

#### Water Fund

The Water Fund accounts for the operation and maintenance of the City's water system.

#### Sanitary Sewer Fund

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

Additionally, the City reports the following fund types:

The City's Internal Service Funds account for costs in vehicle maintenance, electrical repairs and health insurance. The central services fund is used to account for (1) maintenance and repair costs related to City vehicles and equipment and (2) costs for electrical maintenance repair for all City facilities and traffic maintenance. The health insurance fund is used to account for health insurance premiums and claims for all City employees.

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed for a specified purpose other than debt service.

The Capital Projects Funds account for financial resources to be used for the construction of the  $19^{\rm th}$  Street SW Overpass and construction and acquisition of other general capital improvements. These projects are financed mainly through bond proceeds and Local Option Sales Tax.

The Pension Trust Fund accounts for assets held by the City to be used for retirement payments for qualified public safety employees.

Other enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has six funds classified as other enterprise funds and they are as follows: cemetery, storm sewer, solid waste disposal, golf course, parking lots and ambulance.

#### (2) Summary of Significant Accounting Policies - continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then to less restrictive classifications—committed, assigned and then unassigned.

#### (2) Summary of Significant Accounting Policies - continued

#### (C) Assets, liabilities and net assets or equity

Cash Management and Investments

The City maintains one primary demand deposit account through which the majority of the City's cash resources are processed. The City's cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a-7 - like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$6,004 and \$7,372 of investment income for the years ended June 30, 2012 and 2011, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2012, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$865,886 and \$165,267, respectively.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes receivable are recognized at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. All City property taxes must be certified to the Cerro Gordo County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. The county auditor is then required to place these city taxes upon the tax list. This levying of property taxes procedurally occurs during June prior to the fiscal year for which the taxes are to be collected. The property taxes actually become an enforceable lien against the property when the budget is certified.

#### (2) Summary of Significant Accounting Policies - continued

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2012, were due by July 1, 2011, with the first half installment being delinquent after September 30, 2011, and the second half installment being delinquent after March 31, 2012. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The current tax receivable represents the 2012 levy certified on March 15, 2012, based on 2011 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2013, the revenue has been recorded as unearned revenue.

#### Inventories and Prepaid Items

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. All inventories are carried at lower of cost or market (first-in, first-out). The consumption method of accounting is applied to the business-type inventories.

#### Restricted Assets

Assets within the enterprise funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

#### Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, and machinery and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, improvements other than buildings, and machinery and equipment of the primary government, as well as component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 50	years
Improvements other than buildings	5 to 100	years
Machinery and equipment	3 to 20	years
Infrastructure	10 to 45	years

Collections such as library books and museum exhibits are held for public exhibition, education, or research in the furtherance of public service rather than financial gain, protected, kept unencumbered, cared for, and preserved, and are subject to an organizational policy that requires the proceeds from sales of collections to be used to acquire other items for collections or access to the collections and, therefore, are not capitalized.

#### (2) Summary of Significant Accounting Policies - continued

Compensated Absences

City employees earn vacation and sick leave at rates dependent on years of service. Sick leave may be accumulated up to 960 hours but is forfeited if not used. Therefore, no accrual is recorded for accrued sick leave. Vacation leave is vested as earned, but must be used within one year or is forfeited. The City records these accumulations in the fund in which they are earned for governmental type funds as the City anticipates paying these accruals from expendable available financial resources. For proprietary type funds, these accumulations are recorded as liabilities.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

 ${
m Nonspendable} \over {
m nonspendable}$  - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

<u>Committed</u> - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

#### (2) Summary of Significant Accounting Policies - continued

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Westside TIF, City Administered Grants, MacNider Museum Foundation special revenue funds; 19<sup>th</sup> Street SW Overpass capital project fund; Cemetery Perpetual Care permanent fund and fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

a. Expenditures for each program:

Public Safety
Public Works
Health and Social Services
Culture and Recreation
Community and Economic Development
General Government
Debt Service
Capital Projects

- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation

City Council action to legally enact the budget goes beyond the State requirement and includes budgets for individual funds except fiduciary funds. The City budget is prepared and reported on a modified accrual basis of accounting.

A City budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated to be available from sources other than property taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the City Council; furthermore, it is the City Council's policy that only state required budget amendments will be adopted. The City's budget was amended as prescribed and the effect of that amendment is shown in the following table.

#### (2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2012 budget:

	Original		Final	
	Certified	Budget	Certified	Actual
	Budget	Amendment	Budget	Expenditures
Public Safety	\$ 9,308,982	\$ 180,000	\$ 9,488,982	\$ 8,935,301
Public Works	3,209,341	2,272,850	5,482,191	3,130,523
Health and Social Services	684 <b>,</b> 474	249,019	933 <b>,</b> 493	853 <b>,</b> 755
Culture and Recreation	3,347,510	354,375	3,701,885	3,092,889
Community and Economic				
Development	19,555,683	59 <b>,</b> 650	19,615,333	5,472,392
General Government	5,048,594	610,300	5,658,894	2,101,725
Debt Service	5,186,539	387,000	5,573,539	4,383,143
Capital Projects	7,740,446	_	7,740,446	6,437,190
Business-Type	18,319,659	235,300	18,554,959	12,723,296
Total	\$72,401,228	\$4,348,494	\$76,749,722	\$47,130,214

The fiscal year 2012 budget amendment resulted in an overall increase in the appropriation.

#### (E) Unbilled Revenues

The Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2012 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$420,703, \$345,144, \$20,566 and \$79,799, respectively.

#### (3) Cash and Investments

The City's deposits at June 30, 2012 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are all insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$875,923 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

#### (3) Cash and Investments - continued

The carrying amount and fair value of the City's investments at June 30, 2012 are as follows:

	Fair Value
U.S. Government securities	\$ 6,537,788
Equity securities	280 <b>,</b> 599
	\$ 6,818,387
Deposits classified as investments:	
Iowa Public Agency Investment Trust	875 <b>,</b> 923
Nonnegotiable certificates of deposit	15,749,596
Total	\$23,443,906
Less: Restricted investments	(1,871,609)
Total unrestricted investments	
per balance sheet	\$21,572,297

Interest rate risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments, further limited to no more than five percent from a single issuer. The City held no such investments during the year.

#### (4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2012 consisted of the following amounts:

Fund	Interfund Receivable	Interfund Payable
Governmental:		
General	\$2,026,893	\$ 682,491
Road use tax	222,629	32,788
Debt service	14,114	759 <b>,</b> 970
Nonmajor funds	181,023	1,049,699
Internal Service funds	23,236	6
Total governmental	\$2,467,895	\$2,524,954
Business-Type:		
Waterworks	\$ 75 <b>,</b> 192	\$ 559 <b>,</b> 903
Sewer rental	551 <b>,</b> 036	7 <b>,</b> 830
Nonmajor funds	107,946	109,382
Total business-type	\$ 734,174	\$ 677,115
Total due to/from other funds	\$3,202,069	\$3,202,069

#### (4) Interfund Receivable and Payable Balances - continued

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$2,846,873. The remainder of these balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In general, these balances will be repaid within one year from year end.

#### (5) Interfund Transfers

Transfers in and out for the year ended June 30, 2012 were:

	Transfers	Transfers
Fund	In	Out
Governmental:		
General	\$ 404,084	\$ 247 <b>,</b> 172
Road use tax	1,099,000	418,897
Debt service	874,703	-
Nonmajor funds	450 <b>,</b> 735	1,997,453
Total governmental	\$2,828,522	\$2,663,522
Business-Type: Waterworks Sewer rental Nonmajor funds Total business-type	\$ - 25,000 \$ 25,000	\$ 60,000 60,000 70,000 \$ 190,000
Total transfers	<u>\$2,853,522</u>	\$2,853,522

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### (6) Prior Period Adjustment

In the four prior years, the City has accepted various customer-developed subdivisions within the City boundaries. Upon acceptance, the underlying utility and infrastructure assets were conveyed to the City. The City omitted recording these assets in the City's books. As a result, the waterworks fund, sewer rental fund, storm sewer fund and governmental activities' beginning net assets have been restated as follows:

		Sewer	Storm	Governmental
	Waterworks	Rental	Sewer	Activities
Net assets, July 1, 2011	\$22,857,086	\$15,546,971	\$2,673,306	\$99,123,680
Adjustment (net of depreciation)	297,753	324,971	188,468	753,630
Net assets, July 1, 2011				
(as restated)	<u>\$23,154,839</u>	\$15,871,942	\$2,861,774	\$99,877,310

#### (7) Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being				
<pre>depreciated:   Land   Construction in progress     Total capital assets,</pre>	\$ 2,634,356 28,627,872	\$ - 8,832,136	\$ - 16,936,648	\$ 2,634,356 20,523,360
not being depreciated	\$ 31,262,228	\$ 8,832,136	\$16,936,648	\$ 23,157,716
Capital assets, being depreciated:				
Buildings and structures Improvements other than	\$ 9,943,292	\$10,444,985	\$ -	\$ 20,388,277
buildings	26,490,510	163,369	8,388	26,645,491
Machinery and equipment	5,776,768	273 <b>,</b> 955	35 <b>,</b> 822	6,014,901
Vehicles	7,720,734	385 <b>,</b> 473	352 <b>,</b> 232	7,753,975
Infrastructure (as restated) Total capital assets	73,150,858	6,886,391		80,037,249
being depreciated	\$123,082,162	\$18,154,173	\$ 396,442	\$140,839,893
Less accumulated depreciation for:				
Buildings and structures Improvements other than	\$ 6,093,208	\$ 588,191	\$ -	\$ 6,681,399
buildings	7,643,930	1,167,228	8,388	8,802,770
Machinery and equipment	3,496,906	469,713	29 <b>,</b> 750	3,936,869
Vehicles	5,422,812	534 <b>,</b> 207	341 <b>,</b> 091	5,615,928
Infrastructure (as restated)	26,732,238	2,779,336		29,511,574
Total accumulated Depreciation	\$ 49,389,094	\$ 5,538,675	\$ 379,229	\$ 54,548,540
Total capital assets, being depreciated, net	\$ 73,693,068	\$12,615,498	\$ 17 <b>,</b> 213	\$ 86,291,353
Governmental activities	0104 055 000	001 447 604	<b>616 052 061</b>	0100 440 000
capital assets, net	<u>\$104,955,296</u>	\$21,447,634	<u>\$16,953,861</u>	\$109,449,069

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental	20+1111+100.
Governmental	activities:

Public safety	\$ 433 <b>,</b> 275
Public works	4,042,169
Health and social services	22,000
Culture and recreation	878 <b>,</b> 829
Community and economic development	88,713
General government	59 <b>,</b> 475
Internal service funds depreciation is charged to	
various functions based on their usage of assets	14,214
	A
Total depreciation expense-governmental activities	<u>\$5,538,675</u>

#### (7) Capital Assets - continued

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	•	\$ 4,823,362
Construction in progress	3,399,964	5,674,461	6,754,474	2,319,951
Total capital assets,				
not being depreciated	\$ 8,223,326	\$5,674,461	\$6,754,474	\$ 7,143,313
Capital assets, being depreciated:				
Buildings and structures Improvements other than	\$ 16,191,939	\$ 742,600	\$ -	\$ 16,934,539
buildings	3,061,977	3,455	_	3,065,432
Machinery and equipment	2,912,111	109,185	22,951	2,998,345
Vehicles	2,996,793	169,973	126,337	3,040,429
Collection and distribution systems (as				
restated)	79,068,246	6,168,039	35,508	85,200,777
Total capital assets				
being depreciated	\$104,231,066	\$7,193,252	\$ 184,796	\$111,239,522
Less accumulated depreciation				
for:	0 0 010 140	A 207 021	٥	<u> </u>
Buildings and structures Improvements other than	\$ 3,616,146	\$ 387,931	\$ -	\$ 4,004,077
buildings	2,873,528	26 <b>,</b> 069	_	2,899,597
Machinery and equipment	1,844,651	234,198	22,653	2,056,196
Vehicles Collection and	1,637,656	248,939	111,228	1,775,367
distribution systems (as				
restated)	29,373,309	2,239,956	35,508	31,577,757
Total accumulated	* 00 045 000	*0 105 000	4 160 000	÷ 40 010 004
depreciation	\$ 39,345,290	<u>\$3,137,093</u>	<u>\$ 169,389</u>	\$ 42,312,994
Total capital assets, being				
depreciated, net	\$ 64,885,776	\$4,056,159	\$ 15,407	\$ 68,926,528
Business-type activities				
capital assets, net	<u>\$ 73,109,102</u>	<u>\$9,730,620</u>	<u>\$6,769,881</u>	\$ 76,069,841

Depreciation expense was charged to the following business-type activities:

Business-type activities:

 Water works
 \$1,363,846

 Sewer rental
 1,264,268

 Other business-type funds
 508,979

Total depreciation expense—business-type activities \$3,137,093

#### (8) Pension and Retirement Systems

The City maintains three pension plans for employees in various departments.

#### Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the City is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 was \$649,477, \$540,431, and \$509,918 respectively, equal to the required contribution for each year.

#### Municipal Fire and Police Retirement System of Iowa

#### (A) Plan Description

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a multi-employer, cost sharing, defined benefit pension plan for the exclusive benefit of eligible employees of participating cities (substantially all full-time employees of the respective cities' fire and police departments). MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information for MFPRSI. The financial report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, IA 50322 or by calling 1-515-254-9200.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2012, members contributed 9.4% of regular earnable compensation and the City contributed 24.76% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2012, 2011 and 2010 was \$1,234,743, \$1,032,595, and \$830,029 respectively, equal to the required contributions for each year.

#### Firemen Pension Plan

#### (A) Plan Description

The City maintains a contributory defined benefit pension plan for those individuals previously covered under the provisions of Chapter 410 of the Iowa Code. The plan is funded from pension fund reserves. All participants in the plan are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2012, there is one individual receiving benefits in the fire plan.

#### (8) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2012 is as follows:

	Fire
Cash and investments	\$5,055
Fund equity	5,121
Pensions paid	6,697

#### (B) Summary of Significant Accounting Policies and Plan Asset Matters

#### Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues for the period.

#### Method Used to Value Investments

Investments, if any, are non-participating certificates of deposit and are valued at historical cost.

#### (C) Trend Information

#### Firemen Pension Plan

		Revenues		Expenses
Fiscal	Investment	Property		
Year	Income	Taxes	Totals	Benefits
2012	\$ -	\$ 6,897	\$ 6,897	\$ 6,697
2011	7	_	7	6 <b>,</b> 576
2010	76	_	76	6 <b>,</b> 457
2009	26	25 <b>,</b> 170	25 <b>,</b> 196	9,424
2008	_	15 <b>,</b> 370	15 <b>,</b> 370	12,147
2007	210	-	210	11,745
2006	391	_	391	11,432
2005	_	_	_	11,127
2004	64	3,696	3 <b>,</b> 760	10,832
2003	723	-	723	10,546

#### (9) Deferred Compensation Plan

The City offers its employees several deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation in the plan is optional.

The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the basic financial statements.

#### (10) Long-Term Debt

Long-term debt of the City is as follows:

-term debt of the City is as follows:		
	<u>Governmental</u>	Business-Type
3.50% to 3.60% Essential Corporate Purpose		
bond payable, issued 11/1/05	\$ 350,000	\$ 980,000
3.75% to 3.90% Taxable General Obligation	1 500 000	
bond payable, issued 9/1/06	1,580,000	_
3.85% to 4.15% Taxable General Obligation		
bond payable, issued 9/4/07	775 <b>,</b> 000	2,090,000
3.50% to 4.10% General Obligation bond		
payable, issued 7/1/08	1,700,000	435,000
3.50% to 4.35% General Obligation bond		
payable, issued 7/1/08	2,285,000	100,000
2.375% to 4.375% Taxable General Obligation		
bond payable, issued 7/1/09	8,365,000	745 <b>,</b> 000
1.50% to 2.90% General Obligation bond		
payable, issued 8/1/10	1,630,000	945,000
1.00 to 2.80% General Obligation bond		
payable issued 8/1/10	3,630,000	_
1.00% to 1.40% General Obligation bond		
payable, issued 8/1/10	120,000	_
0.45% to 1.85% General Obligation bond		
payable, issued 8/31/11	2,144,077	805 <b>,</b> 923
0.50% to 2.80% General Obligation bond		
payable, issued 8/31/11	1,275,000	_
2.95% General Obligation Capital Loan		
note payable, issued 5/1/08	150,000	_
4.125% General Obligation Capital Loan		
note payable, issued 5/5/04	_	103,085
2.74% Taxable General Obligation Capital		
Loan note payable, issued 4/20/10	_	102,000
5.00% to 5.60% Taxable Urban Renewal Tax		
Increment Revenue bond payable, issued		
4/01/03	1,005,000	_
5.00% Taxable Urban Renewal Tax Increment		
Revenue bond payable, issued 7/3/03	44,774	_
3.00% Water Revenue Capital Loan note payabl		
issued 2/26/03, callable 6/01/13 at par	_	9,524,085
4.00% Water Revenue bond payable, issued		, ,
9/1/06	_	1,065,000
4.12% to 4.35% Water Revenue bond payable,		, ,
issued 9/1/07	_	870 <b>,</b> 000
3.90% Sewer Revenue bond payable, issued		·
9/1/06	_	950,000
3.00% Sewer Revenue bond payable, issued		•
8/15/08	_	11,411,933
Totals	\$25,053,851	\$30,127,026

#### (10) Long-Term Debt - continued

#### Bonded Debt:

General Obligation Debt

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of the debt.

There were \$30,310,085 of general obligation bonds outstanding as of June 30, 2012. Unmatured general obligation bonds to be paid by governmental funds totaled \$24,004,077. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$6,306,008.

During the year ended June 30, 2012, the City issued \$4,350,000 of general obligation bonds. These bonds were used to refund previous bond issues and construction, reconstruction and repair of various public works, parks and utility-related improvements.

General Obligation Debt Refunding

The City issued, on August 31, 2011, \$2,950,000 of general obligation refunding bonds to advance refund the remaining \$1,235,000 of general obligation bonds, dated October 1, 2002, and \$1,565,000 of general obligation bonds, dated October 1, 2004. \$2,800,000 of the proceeds were deposited with an escrow agent to purchase United States Treasury notes. Under the terms of the escrow agreement, the escrow fund was irrevocably pledged to the payment of the principal of the refunded bonds on the June 1, 2012 call date. Since this refunding took place within the fiscal year, the reacquisition price equaled the net carrying amount of the old debt.

The refunding decreased the City's aggregate debt service payments to maturity by \$184,456, resulting in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$179,592.

Water and Sewer Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$23,821,018 of revenue bonds outstanding as of June 30, 2012, payable through 2030. The City, as a requirement of the bonds, maintains certain reserve requirements while these bonds are outstanding. These reserves include a) one-twelfth of the annual interest and principal due in the succeeding year plus b) the lesser of 10% of the original note proceeds or the maximum amount of principal and interest due in any remaining year of the individual issue or 25% of the amount required to be deposited to a) since issue of the bond. One bond also requires the reservation of an improvement amount equal to the lesser of \$5,000 times the number of months since issuance or \$250,000. The combined total required to be reserved is \$2,424,150. The City has reserved \$2,863,129 as of June 30, 2012. The combined principal and interest paid for the current year and total customer net revenues were \$2,602,600 and \$4,800,827, respectively, amounting to approximately 49% of net revenues.

Tax Increment Financing Revenue Debt

The City issues bonds to finance its contribution to various development projects in the tax increment districts. The principal and interest on the bonds are paid with the additional taxes generated by the various development projects. As of June 30, 2012, there were \$1,049,774 of tax increment financing bonds outstanding.

### (10) Long-Term Debt - continued

Long-term liability activity for the year ended June 30, 2012, was as follows:

	July 1, 2011	New	Darmonta	June 30, 2012	Due Within
	2011	Issues	Payments	2012	One Year
General obligation:					
Governmental	\$25,634,320	\$3,544,079	\$5,174,322	\$24,004,077	\$3,152,402
Business-type					
activities:					
Water	3,566,395	451,480	931,394	3,086,481	544,240
Sewer	3,284,285	354,441	724,284	2,914,442	378,240
Ambulance	282,887	_	77,802	205,085	82,035
Storm sewer	200,000	_	100,000	100,000	100,000
Revenue:					
Governmental tax					
increment financing	1,233,400	_	183,626	1,049,774	189 <b>,</b> 774
Business-type:					
Water	12,449,845	10,240	1,001,000	11,459,085	1,038,000
Sewer	13,152,849	2,084	793,000	12,361,933	824,000
Total	<u>\$59,803,981</u>	\$4,362,324	<u>\$8,985,428</u>	<u>\$55,180,877</u>	\$6,308,691

At June 30, 2012, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,638,389,295</u>
Debt limit - 5% of total valuation Debt applicable to debt limit:	\$81,919,465
General obligation bonded debt outstanding	31,154,774
Legal debt margin	<u>\$50,764,691</u>

A summary of bond principal and interest maturities by type of bond is as follows:

TOTTOWS.							
	Governm	Governmental		e Activities	General Obligation		
	General Ob	ligation	General Ob	oligation	Totals		
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 3,152,402	\$ 740,342	\$1,104,515	\$193,695	\$ 4,256,917	\$ 934,037	
2014	2,714,646	673 <b>,</b> 958	1,042,691	166,658	3,757,337	840,616	
2015	2,752,029	607 <b>,</b> 778	1,033,802	142,469	3,785,831	750 <b>,</b> 427	
2016	2,450,000	538,103	740,000	115,039	3,190,000	653,142	
2017	2,435,000	466,980	380,000	89,481	2,815,000	556,461	
2018-2022	6,965,000	1,328,065	1,775,000	234,142	8,740,000	1,562,207	
2023-2027	2,405,000	555 <b>,</b> 934	230,000	9,522	2,635,000	565,456	
2028-2032	1,130,000	74,125			1,130,000	74,125	
	\$24 <b>,</b> 004 <b>,</b> 077	\$4 <b>,</b> 985 <b>,</b> 285	<u>\$6,306,008</u>	<u>\$951,006</u>	\$30,310,085	<u>\$5,936,471</u>	
	Governm	ental	Business-type	e Activities	Revenue O	bligation	
	Revenue Ob	ligation	Revenue Ol	oligation	Total	S	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 189 <b>,</b> 774	\$ 55,932	\$ 1,862,000	\$ 749 <b>,</b> 420	\$ 2,051,774	\$ 805,352	
2014	155,000	46,289	1,922,000	687 <b>,</b> 850	2,077,000	734,139	
2015	165,000	38,383	1,992,000	624,220	2,157,000	662,603	
2016	170,000	29,720	1,719,000	558 <b>,</b> 165	1,889,000	587 <b>,</b> 885	
2017	180,000	20,540	1,777,000	503,430	1,957,000	523 <b>,</b> 970	
2018-2022	190,000	10,640	8,210,000	1,714,700	8,400,000	1,725,340	
2023-2027	-	-	4,820,000	636,480	4,820,000	636 <b>,</b> 480	
2028-2032	<u> </u>		1,705,000	77,130	1,705,000	77,130	
	\$1,049,774	\$201 <b>,</b> 504	\$24,007,000	\$5,551,39 <u>5</u>	\$25,056,774	\$5 <b>,</b> 752 <b>,</b> 899	

### (10) Long-Term Debt - continued

Industrial Revenue Bonds

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2012, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$4,900,000.

### (11) Contingent Liabilities

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims not covered by insurance resulting from these claims would not materially affect the financial position of the City.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Sales and payroll taxes collected from customers and employees respectively, are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the City. The amount of changes, if any, made by federal or state governments cannot be determined at this time.

### (12) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Blue Cross and Blue Shield of Iowa and First Administration, Inc. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$2,891,072 for the year ended June 30, 2012 are covered by commercial insurance.

All funds of the City participate in the program and make payments to the Employee Health Care Fund (an Internal Service Fund) based on premiums recommended by the program administrator based on historical information. The premiums are based on the amounts needed to pay current year claims and provide a reserve for claims incurred but not reported during the current year.

### (12) Risk Management - continued

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2012 is \$543,200 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2012 is as follows:

	Beginning of	Current year		End of
	fiscal year	claims and changes	Claim	fiscal year
	liability	in estimates	payments	liability
Current year	\$708,702	\$3,508,273	\$3,669,075	\$547,900
Prior year	653 <b>,</b> 818	2,585,029	2,530,145	708 <b>,</b> 702

In addition to health risks losses, the City is exposed to various other risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City covers these risks through commercial claims-made insurance policies. The costs of this insurance are paid by the general fund and the enterprise funds. There have been no substantial reductions in coverage from prior years. Settled claims from these risks have exceeded commercial insurance coverage due to the flood of June, 2008. However, substantially all excess costs were reimbursed by disaster grants administered by the State of Iowa and FEMA.

### (13) Deficit Fund Balances/Net Assets

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
South Eisenhower TIF	\$23,949
Gateway TIF	16,102
FMA Voluntary Acquisition	50,411
Softball Improvement Trust	8,281
CEBA	355
Debt Service Fund	8,624
Capital Projects Fund:	
19 <sup>th</sup> Street SW Overpass	37,063

The deficits in the South Eisenhower TIF and Gateway TIF funds will eventually be eliminated through the retention of property tax proceeds rather than the reinvestment in current projects or debt reduction.

The deficit balances in the FMA Voluntary Acquisition, CEBA and Softball Improvement funds will be eliminated by grant proceeds and interfund transfers from the General Fund.

The Debt Service fund deficit will be eliminated by property tax receipts and bond proceeds.

### (14) Termination Benefits

As of June 30, 2012, the City had two terminated employee participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

### (15) Other Postemployment Benefits

### Plan Descriptions and Funding Policy

The City sponsors a single-employer health care plan that provides self-insured medical and prescription drug coverage to all active and retired employees and their eligible dependents. Employees must be a minimum of 55 years old and currently be enrolled in the sponsored health insurance plan at the time of retirement to participate. Benefits terminate upon attaining Medicare eligibility.

Eligible retirees receive health care coverage through the same plan that is available for active employees.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

### Funding Policy

The City, with assistance from their third-party administrators, establishes and amends contribution requirements for both active and retiree members on an annual basis. The current funding policy is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on pay-as-you-go financing. For fiscal year 2012, the City contributed \$38,349 and retirees receiving benefits contributed \$215,043 through their required contributions.

### Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2011 was the year of implementation for GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

### (15) Other Postemployment Benefits - continued

Annual required contribution	\$207,973
Interest on net OPEB obligation	4,535
Adjustment to annual required contribution	(13,738)
Annual OPEB cost/expense	\$198,770
Contributions and payments made	(38,349)
Increase in net OPEB obligation	\$160,421
Net OPEB obligation July 1, 2011	383,732
Net OPEB obligation June 30, 2012	\$544,153

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012:

		Percentage	
		of annual	
	Annual	OPEB Cost	Net OPEB
Fiscal Year Ended	OPEB Cost	Contributed	Obligation
June 30, 2012	\$198,770	19.2%	\$544,153

### Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$1,463,752. The City's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plans are unfunded, the AAL and UAAL are equal. The covered payroll (fiscal year payroll of active employees covered by the plan) was \$14,275,269, and the ratio of the UAAL to the covered payroll was 10.25%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is required to be present as supplementary information following the notes to the financial statements.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, entry age normal actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate assuming funding on a pay as you go basis and an annual combined inflation and healthcare cost trend rate of 6%.

### (15) Other Postemployment Benefits - continued

The amortization of the UAAL is being amortized as a level percentage of projected payrolls over a thirty-year time period.

### (16) Commitments

At June 30, 2012, the following construction and purchase commitments had been made:

	Total	Costs
	Contracts	Incurred
Storm sewer projects	\$ 7,451,919	\$ 5,198,056
Street projects	3,128,192	2,151,108
Sanitary sewer projects	2,890,098	2,541,195
Community & economic development		
projects	573 <b>,</b> 247	451,708
Ambulance projects	512 <b>,</b> 850	_
Police department projects	104,471	_
Cemetery projects	29 <b>,</b> 990	_
Fire department projects	29 <b>,</b> 851	_
Other	375 <b>,</b> 045	98 <b>,</b> 867
Total	\$15,095,663	\$10,440,934

### (17) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$3,233,432 during the year ended June 30, 2012 of which \$3,092,392 was competitively bid.

### (18) Fund Balances

The details for the City's fund balance for the year ended June 30, 2012 are as follows:

		_	Ro	ad Use		Debt		onmajor		_
	(	General		Tax	S	ervice	Gov	ernmental	<u> </u>	Total
Nonspendable:										
Endowment principal	\$	_	\$	_	\$	_	\$	633 <b>,</b> 638	\$	633 <b>,</b> 638
Prepaid expenses		151,565		12,549					_	164,114
Total nonspendable	\$	151,565	\$	12,549	\$		\$	633,638	\$	797,752
Restricted for:										
Streets and road										
construction	\$	_	\$3,	,128,495	\$	_	\$	_	\$	3,128,495
Employee benefits		_		_		_	6	,276,398		6,276,398
Economic development										
projects		_		_		_		893 <b>,</b> 822		893 <b>,</b> 822
Grant qualified										
projects		_		_		_		14,042		14,042
Street and park										
improvements		_		_		_	2	,050,875		2,050,875
Museum funding		_		_		_		175,775		175,775
Cemetery perpetual car	îe	_		_		_		527,816		527,816
Tort liability	1	,295,953		-		_		-		1,295,953
Total restricted	\$1	,295,953	\$3,	,128,495	\$	_	\$9	,938,728	\$	14,363,176

### (18) Fund Balances - continued

			Roa	ad Us	e	Dek	ot	N	Nonmajor		
	G	eneral		Tax		Serv	<i>r</i> ice	Gov	ernmental		Total
Assigned for:		<del></del>									
Airport	\$	374,681	\$		-	\$	_	\$	_	\$	374,681
Museum		_			_		_		841,125		841,125
Library		_			_		_		489,898		489,898
Youth softball complex		_			-		_		47,140		47,140
Total assigned	\$	374,681	\$		_	\$	_	\$	1,378,163	\$	1,752,844
Unassigned	\$5	,165,554	\$		_	\$(8,	624)	\$	(147,890)	\$	5,009,040
Total fund balance	\$6	<u>,987,753</u>	\$3 <b>,</b>	141,0	44	\$(8,	624)	\$1	1,802,639	\$2	1,922,812

### (19) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2012, disbursements did not exceed the amount budgeted.

### (20) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 28, 2012, the date the financial statements were issued.

The City awarded contracts subsequent to June 30 for the following projects:

Street projects	\$1,778,930
Fire department projects	943,454
Water projects	637 <b>,</b> 060
Solid waste projects	144,162
Community and economic development projects	93 <b>,</b> 477
Police department projects	72,490
Park and recreation projects	53 <b>,</b> 868
Other projects	76 <b>,</b> 225
	\$3,799,666

The City issued \$2,270,000 of general obligation bonds dated August 21, 2012 payable over a ten-year period at interest rates ranging from 0.4% to 1.7%.

The City issued \$890,000 of general obligation refunding bonds dated August 21, 2012 payable over a five-year period at interest rates ranging from 0.5% to 1.4%, to refund outstanding bond issues in the future.

### (21) New Governmental Accounting Standards Board (GASB) Standards

The City has implemented the following GASB standards during the fiscal year ended June 30, 2012:

Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. This Statement permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method. The adoption of this Statement has no effect on the City in the current year.

### (21) New Governmental Accounting Standards Board (GASB) Standards - continued

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provision — an amendment to GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this Statement has no effect on the City in the current year.

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the City. The statements, which might impact the City are as follows:

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements; issued November 2011, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, Technical Corrections -2012 - an amendment to GASB Statements No. 10 and No. 62, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

### (21) New Governmental Accounting Standards Board (GASB) Standards - continued

Statement No. 67, Financial Reporting for Pension Plans — an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, Accounting and Financial Reporting for Pensions — an amendment to GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

### (22) Restatement

The Compliance Section has been changed to reflect additions to the Schedule of Expenditures of Federal Awards and related changes to the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133, Notes to Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs and Corrective Action Plan for Federal Audit Findings.

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF MASON CITY, IOWA OTHER POST EMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuar: Value ( Asset: (a)	of Liability	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c}]
2012	7/1/2011	\$ -	\$1,445,475	\$1,445,475	0.00%	\$14,275,269	10.13%
2011	7/1/2009	_	988 <b>,</b> 388	988,388	0.00	13,670,291	7.23
2010	7/1/2009	_	973 <b>,</b> 974	973 <b>,</b> 974	0.00	13,410,686	7.26
2009	7/1/2009	-	937,435	937,435	0.00	13,144,648	7.41

Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuations as of July 1, 2011.

The cost method used to determine the ARC is the frozen entry age actuarial cost method.

There are no plan assets.

Economic assumptions are as follows: combined inflation and health care cost trend rate of 6%; discount rate of 2.5%.

The amortization method is open period, level dollar.

# SUPPLEMENTARY INFORMATION

### GOVERNMENTAL FUNDS

### CITY OF MASON CITY, IOWA NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET AS OF JUNE 30, 2012

	HMPG Voluntary Acquisition	FMA Voluntary Acquisition	PDM FEMA
ASSETS:			
Cash	\$ -	\$ -	\$ -
Investments	_	-	_
Receivables:			
Property taxes	_	-	_
Accrued interest	_	-	_
Special assessments - current	_	_	_
Special assessments - deferred Accounts receivable (net)	_	_	1 401
Notes	<u>-</u>	<u>-</u>	1,481
Due from other funds	_	_	_
Due from state government	659,467	108,296	3,224
Restricted assets:	037,407	100,200	5,224
Cash	_	_	_
Investments	_	_	_
Accrued interest	_	_	_
Total assets	\$659,467	\$108,296	\$4,705
LIABILITIES AND FUND BALANCE: Liabilities: Accounts payable Salaries payable Contracts payable Due to other funds Due to state government Deferred revenue Total liabilities	\$ 3,482 499 3,391 645,995 - - \$653,367	\$ 2,224 - 5,834 150,649 - - \$158,707	\$ - - 2,040 - - \$2,040
Fund balance:    Nonspendable    Restricted    Assigned    Unreserved         Total fund balance	\$ - 6,100 - - \$ 6,100	\$ - - (50,411) \$(50,411)	\$ - 2,665 - - \$2,665
Total liabilities and fund balance	\$659,467	<u>\$108,296</u>	<u>\$4,705</u>

Community Growth TIF	Westside 	Forest Park TIF	Gateway TIF	South Eisenhower TIF	Police Retirement
\$ 18,421 800,000	\$825 -	\$6,764 -	\$ 1,230 -	\$ - -	\$ 44,163 3,248,718
10,854 379 16,500	- -	<del>-</del>	24,804	179 -	439,654 3,603
168,500	- - -	- - -	- - -	- - -	- - -
10,000 24,129 -	- - -	- - -	2,040	- - -	- - -
- -	- -	- -	- -	- -	- -
\$1,048,783	<u>-</u> \$825	<u>\$6,764</u>	\$ 28,07 <u>4</u>	\$ 17 <u>9</u>	\$3,736,138
\$	\$ <b>-</b>	\$ 150 -	\$ 44 <b>,</b> 176	\$ - -	\$ -
- - -	- - -	- - -	- - -	24,128 -	13,125
\$ 168,500 \$ 168,500	<u>-</u> \$ -	\$ 150	\$ 44,176	\$ 24,128	435,000 \$ 448,125
\$ - 880,283	\$ - 825 -	\$ - 6,614 -	\$ - - -	\$ - - -	\$ - 3,288,013
\$ 880,283	<u>-</u> \$825	\$6,614	(16,102) \$(16,102)	(23,949) \$(23,949)	<del>-</del> \$3,288,013
\$1,048,783	<u>\$825</u>	<u>\$6,764</u>	<u>\$ 28,074</u>	<u>\$ 179</u>	\$3,736,138

### CITY OF MASON CITY, IOWA NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET AS OF JUNE 30, 2012

	Fire Retirement	Employee Retirement	Library Trust
ASSETS:			
Cash	\$ 160 <b>,</b> 267	\$346,214	\$ 86,166
Investments	2,465,392	_	404,010
Receivables:			
Property taxes	353 <b>,</b> 850	518,704	_
Accrued interest	2 <b>,</b> 755	_	385
Special assessments - current	_	_	-
Special assessments - deferred	_	_	-
Accounts receivable (net)	_	-	-
Notes	_	-	-
Due from other funds	13 <b>,</b> 125	_	-
Due from state government	_	_	-
Restricted assets:			
Cash	-	_	-
Investments	_	-	-
Accrued interest		<u> </u>	<u>_</u>
Total assets	<u>\$2,995,389</u>	<u>\$864,918</u>	<u>\$490,561</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ 11 <b>,</b> 041	\$ 663
Salaries payable	_	_	-
Contracts payable	_	-	-
Due to other funds	_	-	-
Due to state government	-	-	_
Deferred revenue	350,000	510,881	<u> </u>
Total liabilities	\$ 350,000	\$521,922	\$ 663
Fund balance:			
Nonspendable	\$ -	\$ <b>-</b>	\$ -
Restricted	2,645,389	342,996	_
Assigned	_	_	489,898
Unassigned	_	_	_
Total fund balance	\$2,645,389	\$342,996	\$489,898
Total liabilities and fund balar	nce <u>\$2,995,389</u>	<u>\$864,918</u>	\$490,561

MacNider Museum Foundation	Other Special Revenue	Total Special Revenue	19 <sup>th</sup> St SW Overpass	Local Option Capital Improvement	Total Capital Project
\$325,481 515,644	\$ 19,925 50,000	\$ 1,009,456 7,483,764	\$ - -	\$ 45,117 1,800,000	\$ 45,116 1,800,000
- - - - -	- 13 - - - - - 61,521	1,348,045 7,135 16,500 168,500 1,481 10,000 39,294 832,508	- - - - -	796 - - - - 36,875 176,888	796 - - - 36,876 176,888
- - - <u>\$841,125</u>	- - - <u>\$131,459</u>	- - - \$10,916,683	- - - <u>\$</u> -	- - - <u>\$2,059,676</u>	- - - <u>\$2,059,676</u>
\$ - - - - - - \$ -	\$ 17,366 771 499 73,865 806 - \$ 93,307	\$ 79,102 1,270 9,724 909,802 806 1,464,381 \$ 2,465,085	\$ 188 - - 36,875 - - \$ 37,063	\$ 8,801 - - - - - \$ 8,801	\$ 8,990 - 36,874 - \$ 45,864
\$ - 841,125 - \$841,125 \$841,125	\$ - 11,377 47,140 (20,365) \$ 38,152 \$131,459	\$ - 7,184,262 1,378,163 (110,827) \$ 8,451,598 \$ \$ 10,916,683	\$ - - (37,063) \$(37,063)	\$ - 2,050,875 - - \$2,050,875 \$2,059,676	\$ - 2,050,875 - (37,063) \$2,013,812 \$2,059,676

### CITY OF MASON CITY, IOWA NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET AS OF JUNE 30, 2012

	Cemetery Perpetual Care	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
ASSETS:				
Cash	\$ -	\$173 <b>,</b> 751	\$ 173 <b>,</b> 751	\$ 1,228,324
Investments	_	633 <b>,</b> 638	633 <b>,</b> 638	9,917,402
Receivables:				
Property taxes	-	_	_	1,348,045
Accrued interest	-	3 <b>,</b> 911	3 <b>,</b> 911	11,842
Special assessments - current	_	_	_	16,500
Special assessments - deferred	-	_	_	168,500
Accounts receivable (net)	-	_	_	1,481
Notes	-	_	_	10,000
Due from other funds	103,645	1,209	104,854	181,023
Due from state government	-	_	_	1,009,396
Restricted assets:				
Cash	4,911	_	4,911	4,911
Investments	521 <b>,</b> 609	_	521 <b>,</b> 609	521 <b>,</b> 609
Accrued interest	673	_	673	673
Total assets	<u>\$630,838</u>	<u>\$812,509</u>	\$1,443,347	<u>\$14,419,706</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ 3 <b>,</b> 096	\$ 3,096	\$ 91 <b>,</b> 187
Salaries payable	-	_	-	1,270
Contracts payable	-	_	-	9,724
Due to other funds	103,022	-	103,022	1,049,699
Due to state government	-	-	-	806
Deferred revenue				1,464,381
Total liabilities	\$103 <b>,</b> 022	\$ 3,096	\$ 106,118	\$ 2,617,067
Fund balance:		*	+	*
Nonspendable	\$ -	\$633 <b>,</b> 638	\$ 633,638	\$ 633,638
Restricted	527 <b>,</b> 816	175 <b>,</b> 775	703 <b>,</b> 591	9,938,728
Assigned	_	-	_	1,378,163
Unassigned	<u>-</u>	- 4000	41 227 222	(147,890)
Total fund balance	\$527,816	\$809,413	\$1,337,229	\$11,802,639
Total liabilities and				
fund balance	<u>\$630,838</u>	<u>\$812,509</u>	\$1,443,347	\$14,419,706

## CITY OF MASON CITY, IOWA NONMAJOR GOVERNMENTAL FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

	HMPG Voluntary Acquisition	FMA Voluntary Acquisition	PDM FEMA
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	_
Other taxes	_	_	_
Intergovernmental	2,138,229	411,014	493,592
Charges for service	-	-	_
Use of money and property	_	-	_
Special assessments	_	24 027	-
Miscellaneous	<u>-</u>	34,237	2,657
Total revenues	\$2,138,229	\$445,251	\$496,249
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	_	· _	_
Health & social services	_	_	_
Culture & recreation	-	-	_
Community & economic development	1,733,112	168,460	493,594
General government	-	_	_
Capital projects	-	_	_
Total expenditures	\$1,733,112	\$168,460	\$493,594
Excess (deficiency) of revenues over (under) expenditures	\$ 405,117	<u>\$276,791</u>	\$ 2,65 <u>5</u>
Other financing sources (uses):			
Transfers in	\$ 39,438	\$ -	\$ -
Transfers out	<u> </u>	<u></u>	
Total other financing sources			
(uses)	\$ 39,438	\$ <u>-</u>	\$ -
Net change in fund balances	\$ 444,555	\$276 <b>,</b> 791	\$ 2,655
Fund balance beginning of year	(438, 455)	(327,202)	10
Fund balance end of year	<u>\$ 6,100</u>	<u>\$(50,411</u> )	<u>\$2,665</u>

Community Growth TIF	Westside TIF	Forest Park TIF	Gateway TIF	South Eisenhower TIF	Police Retirement
\$ - 893,885	\$ - - -	\$ - - -	\$ - 589,038	\$ - 18,053	\$ 482,125 - -
120,523 4,391 19,694	56,548 33 -	- - - -	- - - -	- - - -	333,966 -
10,000 \$1,048,493	\$56,581	<del>-</del> \$ -	\$589 <b>,</b> 038	\$ 18,053	\$ 816,091
\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ 646,995 - -
1,323,396 - - \$1,323,396	- - - \$ -	825 - - \$ 825	578,182 - - \$578,182	- - - \$ -	- - \$ 646,995
\$ (274,903)	\$56,581	\$ (82 <u>5</u> )	\$ 10,856	\$ 18,053	\$ 169,096
\$ - (723,139)	\$ - 	\$ - 	\$ <u>-</u>	\$ - -	\$ - -
\$ (723,139)	<u>\$</u>	\$ -	\$ -	\$ -	\$ -
\$ (998,042)	\$56,581	\$ (825)	\$ 10,856	\$ 18,053	\$ 169,096
1,878,325	<u>(55,756</u> )	7,439	(26,958)	(42,002)	3,118,917
<u>\$ 880,283</u>	<u>\$ 825</u>	<u>\$6,614</u>	<u>\$(16,102</u> )	<u>\$(23,949</u> )	\$3,288,013

## CITY OF MASON CITY, IOWA NONMAJOR GOVERNMENTAL FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

	Fire Retirement	Employee Retirement	Library Trust
REVENUES:			
Property taxes	\$ 398,888	\$393,112	\$ -
TIF revenues	-	-	_
Other taxes	_	_	_
Intergovernmental	_	_	_
Charges for service	_	_	_
Use of money and property	215,245	_	41,331
Special assessments	_	_	-
Miscellaneous	_	_	56,498
Total revenues	\$ 614,133	\$393,112	\$ 97,829
EXPENDITURES:			
Current:			
Public safety	\$ 459 <b>,</b> 710	\$162 <b>,</b> 418	\$ -
Public works	-	44,940	_
Health and social services	_	32,805	_
Culture and recreation	_	94,896	57 <b>,</b> 186
Community & economic development	_	27,322	_
General government	_	107,914	_
Capital projects	_	_	6 <b>,</b> 115
Total expenditures	\$ 459,710	\$470,295	\$ 63,301
Excess (deficiency) of revenues			
over (under) expenditures	\$ 154,423	<u>\$(77,183</u> )	\$ 34,528
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	· –	· _	· _
Total other financing sources	<del></del>		
(uses)	\$ -	\$ <u>-</u>	\$ -
Net change in fund balances	\$ 154,423	\$(77,183)	\$ 34,528
Fund balance beginning of year	2,490,966	420,179	455,370
Fund balance end of year	\$2,645,389	<u>\$342,996</u>	<u>\$489,898</u>

MacNider Museum Foundation	Other Special Revenue	Total Special Revenue	19 <sup>th</sup> St SW Overpass	Local Option Capital Improvement	Total Capital Project
\$ - - - (13,375) - 18,940 \$ 5,565	\$ - - 174,525 18,166 39,691 - 4,012 \$236,394	\$1,274,125 1,500,976 - 3,217,360 195,237 621,282 19,694 126,344 \$6,955,018	\$ - - - - - - - - - -	\$ - 1,890,690 24,500 - 2,299 - \$ 1,917,489	\$ - 1,890,690 24,500 - 2,299 - - \$1,917,489
\$ - - 36,226 - - - \$ 36,226	\$ - 57,968 193,540 - 9,320 \$260,828	\$1,269,123 44,940 32,805 246,276 4,518,431 107,914 15,435 \$6,234,924	\$ - 63,413 - - - - - \$ 63,413	\$ - - - - 225,083 \$ 225,083	\$ - 63,413 225,083 \$ 288,496
\$(30,661)	\$(24,434)	\$ 720,094	\$(63,413)	\$ 1,692,406	\$1,628,993
\$ <u>-</u>	\$ 12,400 (12,400)	\$ 51,838 (735,539)	\$398 <b>,</b> 897	\$ - (1,250,564)	\$ 398,897 (1,250,564)
\$ -	\$ -	\$ (683,701)	\$398 <b>,</b> 897	\$(1,250,564)	\$ (851 <b>,</b> 667)
\$(30,661)	\$ (24,434)	\$ 36,393	\$335 <b>,</b> 484	\$ 441,842	\$ 777 <b>,</b> 326
871,786	62,586	8,415,205	<u>(372,547</u> )	1,609,033	1,236,486
<u>\$841,125</u>	\$ 38,152	\$8,451,598	<u>\$ (37,063</u> )	\$ 2,050,875	\$2,013,812

# CITY OF MASON CITY, IOWA NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	FOR	THE	YEAR	ENDED	JUNE	30,	2012
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	Cemetery Perpetual Care	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
REVENUES: Property taxes TIF revenues Other taxes Intergovernmental Charges for services Use of money and property Special assessments Miscellaneous Total revenues	\$ - - - 8,820 - - - \$ 8,820	\$ - - - 12,916 - 22,954 \$ 35,870	\$ - - - 8,820 12,916 - - 22,954 \$ 44,690	\$ 1,274,125 1,500,976 1,890,690 3,241,860 204,057 636,497 19,694 149,298 \$ 8,917,197
EXPENDITURES: Current: Public safety Public works Health & social services Culture & recreation Community & economic development General government Capital projects Total expenditures	\$ - - - nt - - - \$ -	\$ - - 18,499 - - - \$ 18,499	\$ - - 18,499 - - - \$ 18,499	\$ 1,269,123 108,353 32,805 264,775 4,518,431 107,914 240,518 \$ 6,541,919
Excess (deficiency) of revenues over (under) expenditures	\$ 8,820	\$ 17,371	\$ 26,191	\$ 2,375,278
Other financing sources (uses): Transfers in Transfers out Total other financing sources (uses)	\$ - - \$ -	\$ - (11,350) \$(11,350)	\$ - (11,350) \$ (11,350)	\$ 450,735 (1,997,453) \$(1,546,718)
Net change in fund balances	\$ 8,820	\$ 6,021	\$ 14,841	\$ 828,560
Fund balance beginning of year	518,996	803,392	1,322,388	10,974,079
Fund balance end of year	<u>\$527,816</u>	\$809,413	<u>\$1,337,229</u>	<u>\$11,802,639</u>

## HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

## BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Final		Variance With Budget Positive
	Budget	Actual	(Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	\$10,163,481	\$2,138,229	\$(8,025,252)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 46,355	\$ 29 <b>,</b> 725	\$ 16,630
Contractual	9,433,522	1,601,768	7,831,754
Commodities	683 <b>,</b> 604	101,378	582 <b>,</b> 226
Other		241	(241)
Total expenditures	\$10,163,481	\$1,733,112	\$ 8,430,369
Excess (deficiency) of revenues			
over (under) expenditures	\$ -	\$ 405 <b>,</b> 117	\$ 405,117
-			
Other financing sources (uses):			
Transfers in		39,438	39,438
Net change in fund balance	\$ -	\$ 444,555	\$ 444,555
Fund balance beginning of year		(438, 455)	(438, 455)
Fund balance end of year	<u>\$ -</u>	\$ 6,100	\$ 6,100

### FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final		Variance With Budget Positive
	Budget	Actual	(Negative)
REVENUES:			
Intergovernmental:			
Federal assistance	\$3,200,000	\$411,014	\$(2,788,986)
Miscellaneous		34,237	34,237
Total revenues	\$3,200,000	\$445,251	\$(2,754,749)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ -	\$ 10 <b>,</b> 034	\$ (10,034)
Contractual	3,200,000	144 <b>,</b> 567	3,055,433
Commodities	-	13,719	(13,719)
Other		140	(140)
Total expenditures	\$3,200,000	\$168,460	\$ 3,031,540
Net change in fund balance	\$ -	\$276,791	\$ 276,791
Fund balance beginning of year		<u>(327,202</u> )	(327,202)
Fund balance end of year	<u>\$ -</u>	<u>\$(50,411</u> )	\$ (50,411)

### COMMUNITY GROWTH TIF SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

			Variance
			With Budget
	Final		Positive
	Budget	Actual	(Negative)
REVENUES:	å 000 01 <del>7</del>	à 000 00F	0.000
TIF revenues	\$ 890,917	\$ 893,885	\$ 2,968
Intergovernmental Service revenue	500,000	120,523	(500,000) 120,523
Use of money and property	44,000	4,391	(39,609)
Special assessments	44,000	19,694	19,694
Miscellaneous	_	10,000	10,000
Total revenues	\$ 1,434,917	\$1,048,493	\$ (386,424)
EXPENDITURES:			
Current:			
Community & economic development: Contractual	\$ 2,793,064	\$1,322,599	\$1,470,465
Commodities	7 2, 193,004	797	(797)
Total expenditures	\$ 2,793,064	\$1,323,396	\$1,469,668
Excess (deficiency) of revenues			
over (under) expenditures	\$(1,358,147)	\$ (274,903)	\$1,083,244
Other financing sources (uses):			+ <b>/</b> 500 000
Issuance of bonds	\$ 500,000	\$ -	\$ (500,000)
Transfers out  Total other financing sources	<u>(722,867</u> )	<u>(723,139</u> )	(272)
(uses)	\$ (222,867)	\$ (723,139)	\$ (500,272)
Net change in fund balance	\$(1,581,014)	\$ (998,042)	\$ 582,972
Fund balance beginning of year		1,878,325	1,878,325
Fund balance end of year	<u>\$(1,581,014</u> )	\$ 880,283	\$2,461,297

### FOREST PARK TIF SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final Budget	<u> Actual</u>	Variance With Budget Positive (Negative)
REVENUES: None	\$ -	\$ <u>-</u>	\$ <u>-</u>
EXPENDITURES: Current: Community & economic development: Contractual Commodities Total expenditures	\$ 2,000 - \$ 2,000	\$ - 825 \$ 825	\$(2,000) <u>825</u> \$(1,175)
Net change in fund balance	\$(2,000)	\$ (825)	\$ 1,175
Fund balance beginning of year		7,439	7,439
Fund balance end of year	<u>\$(2,000</u> )	<u>\$6,614</u>	\$ 8,614

## GATEWAY TIF SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

### BUDGET TO ACTUAL

	Final Budget	<u> Actual</u>	Variance With Budget Positive (Negative)
REVENUES: TIF revenues	<u>\$599,718</u>	<u>\$589,038</u>	<u>\$(10,680</u> )
<pre>EXPENDITURES: Current:    Community &amp; economic development:         Contractual</pre>	\$599,718	<u>\$578,182</u>	\$ 21 <b>,</b> 536
Net change in fund balance	\$ -	\$ 10,856	\$ 10,856
Fund balance beginning of year		(26,958)	(26,958)
Fund balance end of year	<u>\$ -</u>	<u>\$(16,102</u> )	<u>\$(16,102</u> )

## CITY OF MASON CITY, IOWA SOUTH EISENHOWER TIF SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final Budget	<u> Actual</u>	Variance With Budget Positive (Negative)
REVENUES: TIF revenues	\$ -	\$ 18 <b>,</b> 053	\$ 18,053
Intergovernmental	31,350		(31,350)
Total revenues	\$31,350	\$ 18,053	\$(13,297)
EXPENDITURES: Capital projects	31,350		31,350
Net change in fund balance	\$ -	\$ 18,053	\$ 18,053
Fund balance beginning of year	<del>_</del>	(42,002)	(42,002)
Fund balance end of year	<u>\$ -</u>	<u>\$(23,949</u> )	<u>\$(23,949</u> )

### POLICE RETIREMENT SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES: Property taxes	\$ 472,812	\$ 482,125	\$ 9,313
Other taxes	9,481	-	(9,481)
Use of money and property: Interest on investments Total revenues	120,000 \$ 602,293	333,966 \$ 816,091	213,966 \$ 213,798
<pre>EXPENDITURES: Current:   Public safety:</pre>			
Pension contributions	\$ 702,293	\$ 646,995	\$ 55,298
Net change in fund balance	\$(100,000)	\$ 169,096	\$ 269,096
Fund balance beginning of year	<u>-</u>	3,118,917	3,118,917
Fund balance end of year	<u>\$(100,000</u> )	\$3,288,013	\$3,388,013

### FIRE RETIREMENT SPECIAL REVENUE FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET TO ACTUAL

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:	ć 201 102	¢ 200 000	ć 7.70F
Property taxes Other taxes	\$ 391,183 7,844	\$ 398 <b>,</b> 888	\$ 7,705 (7,844)
Use of money and property:	7,044	_	(7,044)
Interest on investments	100,000	215,245	115,245
Total revenues	\$ 499,027	\$ 614,133	\$ 115,106
EXPENDITURES: Current: Public safety:	A 500 007	0 450 710	A 120 217
Pension contributions	\$ 599 <b>,</b> 027	\$ 459,710	<u>\$ 139,317</u>
Net change in fund balance	\$(100,000)	\$ 154,423	\$ 254,423
Fund balance beginning of year		2,490,966	2,490,966
Fund balance end of year	<u>\$(100,000</u> )	<u>\$2,645,389</u>	<u>\$2,745,389</u>

### EMPLOYEE RETIREMENT SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final		Variance With Budget Positive
	Budget	Actual	(Negative)
REVENUES:			
Property taxes	\$ 385,398	\$393,112	\$ 7 <b>,</b> 714
EXPENDITURES:			
Current:			
Public safety	\$ 157 <b>,</b> 481	\$162 <b>,</b> 418	\$ (4,937)
Public works	46,890	44,940	1 <b>,</b> 950
Health & social services	32 <b>,</b> 377	32 <b>,</b> 805	(428)
Culture & recreation	103 <b>,</b> 176	94,896	8 <b>,</b> 280
Community & economic development	29 <b>,</b> 210	27,322	1,888
General government	<u> </u>	107,914	16,078
Total expenditures	\$ 493,126	\$470 <b>,</b> 295	\$ 22,831
Net change in fund balance	\$(107,728)	\$(77,183)	\$ 30,545
Fund balance beginning of year		420,179	420,179
Fund balance end of year	<u>\$(107,728</u> )	<u>\$342,996</u>	\$450,724

### CITY OF MASON CITY, IOWA LIBRARY TRUST SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final Budget	<u> Actual</u>	Variance With Budget Positive (Negative)
REVENUES:	ć 10 000	ć 41 221	ć 21 221
Use of money and property Contributions	\$ 10,000	\$ 41,331 56,498	\$ 31,331 56,498
Miscellaneous	13,500	J0,490 -	(13,500)
Total revenues	\$ 23,500	\$ 97,829	\$ 74,329
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 11,000	\$ 22,559	\$ (11,559)
Commodities Other	7,000 30,000	34,627	(27,627) 30,000
Total culture & recreation	\$ 48,000	\$ 57,186	\$ (9,186)
Capital projects	16,000	6,115	9 <b>,</b> 885
Total expenditures	\$ 64,000	\$ 63,301	\$ 699
Excess (deficiency) of revenues			
over (under) expenditures	\$(40,500)	\$ 34,528	\$ 75,028
Other financing sources (uses):			
Transfers in	\$ 30,000	\$ -	\$(30,000)
Transfers out	<u>(50,001</u> )		50,001
Total other financing sources			
(uses)	<u>\$(20,001)</u>	\$ –	\$ 20,001
Net change in fund balance	\$(60,501)	\$ 34,528	\$ 95,029
Fund balance beginning of year		455,370	<u>455,370</u>
Fund balance end of year	<u>\$(60,501</u> )	<u>\$489,898</u>	<u>\$550,399</u>

## CITY OF MASON CITY, IOWA ADDI SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final		Variance With Budget Positive
	Budget	Actual	(Negative)
REVENUES: Intergovernmental: Federal assistance			
Miscellaneous	\$312 <b>,</b> 500	\$124 <b>,</b> 008 400	\$ (188,492) 400
Total revenues	\$312,500	\$124,408	\$(188,092)
EXPENDITURES: Current: Community and economic development: Personal service Contractual Total expenditures	\$ 16,975 320,000 \$336,975	\$ 7,332 126,908 \$134,240	\$ 9,643 193,092 \$ 202,735
Net change in fund balance	\$(24,475)	\$ (9,832)	\$ 14,643
Fund balance beginning of year		3,274	3,274
Fund balance end of year	<u>\$ (24,475</u> )	<u>\$ (6,558</u> )	<u>\$ 17,917</u>

### SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES: Charges for service	\$ 30 <b>,</b> 007	\$ 6,939	\$(23,068)
Use of money and property	-	17,198	17,198
Miscellaneous Total revenues	\$ 30,007	2,051 \$ 26,188	2,051 \$ (3,819)
EXPENDITURES:			
Current: Culture & recreation:			
Personal service	\$ 14,900	\$ 14,341	\$ 559
Contractual Commodities	2,800 18,207	21 <b>,</b> 696	2,800 (3,489)
Total culture & recreation	\$ 35,907	\$ 36,037	\$ (130)
Capital projects	6,500	3,341	3,159
Total expenditures	\$ 42,407	\$ 39,378	\$ 3,029
Excess (deficiency) of revenues over (under) expenditures	\$(12,400)	\$(13,190)	\$ (790)
Other financing sources (uses):			
Transfers in		(12,400)	12,400
Net change in fund balance	\$(12,400)	\$ (790)	\$ 11,610
Fund balance beginning of year		<u>(7,491</u> )	<u>(7,491</u> )
Fund balance end of year	<u>\$ (12,400</u> )	<u>\$ (8,281</u> )	<u>\$ 4,119</u>

# CITY OF MASON CITY, IOWA YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES: Charges for service	\$37,100	\$11 <b>,</b> 411	\$(25,689)
Use of money and property Total revenues	\$37,100	22,492 \$33,903	22,492 \$ (3,197)
EXPENDITURES:			
Current: Culture & recreation:			
Contractual	\$ 7,100	\$ 1 <b>,</b> 377	\$ 5 <b>,</b> 723
Commodities Total culture & recreation	27,200 \$34,300	20,554 \$21,931	6,646 \$ 12,369
Capital projects Total expenditures	2,800 \$37,100	5,979 \$27,910	(3,179) \$ 9,190
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 5 <b>,</b> 993	\$ 5,993
Other financing sources (uses): Transfers out		(12,400)	(12,400)
Net change in fund balance	\$ -	\$(6,407)	\$ (6,407)
Fund balance beginning of year		53,547	53,547
Fund balance end of year	<u>\$ -</u>	<u>\$47,140</u>	\$ 47,140

### CITY OF MASON CITY, IOWA

#### PDM - FEMA SPECIAL REVENUE FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET TO ACTUAL

Final	With Budget Positive
- <del></del>	
_BudgetActual	(Negative)
REVENUES:	
Intergovernmental \$643,320 \$493,592	\$(149,728)
Miscellaneous 87,176 2,657	(84,519)
Total revenues \$730,496 \$496,249	\$ (234,247)
$\frac{\sqrt{150/150}}{\sqrt{150/150}}$	<u> </u>
EXPENDITURES:	
Current:	
Culture & recreation:	
Personal service \$ 9,600 \$ 6,317	\$ 3,283
Contractual 720,896 487,277	233,619
Total expenditures \$730,496 \$493,594	\$ 236,902
10tal expenditures <u>\$750,496</u> <u>\$493,394</u>	7 230,902
Net change in fund balance \$ - \$ 2,655	\$ 2,655
nee change in rana sarance , , , , , , , , , , , , , , , , , , ,	+ 2,000
Fund balance beginning of year - 10	10
Tana batanee beginning of year	
Fund balance end of year \$ - \$ 2,665	<u>\$2,665</u>

## CITY OF MASON CITY, IOWA DEBT SERVICE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

REVENUES:	Final Budget	Actual	Variance With Budget Positive (Negative)
Property tax Other taxes Use of money and property Total revenues	\$ 2,970,810 56,904 - \$ 3,027,714	\$ 3,026,876 - 6,080 \$ 3,032,956	\$ 56,066 (56,904) 6,080 \$ 5,242
EXPENDITURES:  Debt service:    Principal redemption    Interest payments    Contractual         Total expenditures	\$ 4,268,589 1,190,750 114,200 \$ 5,573,539	\$ 3,363,870 956,803 62,470 \$ 4,383,143	\$ 904,719 233,947 51,730 \$ 1,190,396
Excess (deficiency) of revenues over (under) expenditures	\$(2,545,825)	<u>\$(1,350,187)</u>	\$ 1,195,638
Other financing sources (uses): Proceeds from refunding bonds Payment to refunding fiscal agent Issuance of general obligation bonds Discount on bonds issued Transfers in Total other financing sources (uses)	\$ - 387,000 - 2,158,825 \$ 2,545,825	\$ 2,144,077 (1,994,077) 451,000 (12,980) 874,703 \$ 1,462,723	\$ (2,144,077) 1,994,077 (64,000) 12,980 1,284,122 \$ (1,083,102)
Net change in fund balance	\$ -	\$ 112,536	\$ 112,536
Fund balance beginning of year		(121,160)	(121,160)
Fund balance end of year	<u>\$ -</u>	<u>\$ (8,624</u> )	\$ (8,624)

## CITY OF MASON CITY, IOWA LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL

	Final		Variance With Budget Positive
	Budget	Actual	(Negative)
REVENUES:			
Other tax	\$1,500,000	\$1,890,690	\$ 390,690
Intergovernmental	50,000	24,500	(25,500)
Use of money and property Total revenues	<del>-</del> \$1,550,000	2,299 \$1,917,489	2,299 \$ 367,489
Total revenues	\$1,550,000	71,917,409	ې <u>۵01,409</u>
EXPENDITURES:			
Capital projects	\$ 313,000	\$ 225,083	\$ 87,917
Excess (deficiency) of revenues over	41 007 000	01 600 406	à 455 40C
(under) expenditures	\$1,237,000	\$1,692,406	\$ 455,406
Other financing sources (uses):			
Transfers out	(1,250,564)	(1,250,564)	_
	· · · · · · · · · · · · · · · · · · ·		
Net change in fund balance	\$ (13,564)	\$ 441,842	\$ 455,406
Fund halange heginning of year		1,609,033	1 600 022
Fund balance beginning of year		1,009,033	1,609,033
Fund balance end of year	<u>\$ (13,564</u> )	\$2,050,875	\$2,064,439

## CITY OF MASON CITY, IOWA MACNIDER MUSUEM TRUST PERMANENT FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Final		Variance With Budget Positive
	Budget	Actual	(Negative)
REVENUES:			
Use of money and property Contributions	\$25 <b>,</b> 000 -	\$ 12,916 20,507	\$(12,084) 20,507
Miscellaneous	25,000	2,447	(22,553)
Total revenues	<u>\$50,000</u>	\$ 35,870	<u>\$(14,130</u> )
<pre>EXPENDITURES: Current:    Culture &amp; recreation:</pre>			
Commodities	\$50,000	\$ 18,499	\$ 31,501
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 17,371	\$ 17 <b>,</b> 371
Other financing sources (uses): Transfers out		(11,350)	(11,350)
Net change in fund balance	\$ -	\$ 6,021	\$ 6,021
Fund balance beginning of year		803,392	803,392
Fund balance end of year	<u>\$ -</u>	<u>\$809,413</u>	\$809,413

### PROPRIETARY FUNDS

#### CITY OF MASON CITY NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

	Cemetery	Storm Sewer
ASSETS:		
Current assets:	¢ 25 720	¢ 160 000
Cash Investments	\$ 25,730 50	\$ 169,028 550,000
Receivables:	50	330,000
Property taxes	121,270	_
Accounts (net)	26,139	34,335
Accrued interest	27	260
Inventory	2,224	_
Due from other funds	104,443	2,491
Due from state government	_	· –
Prepaid insurance	1,109	_
Total current assets	\$280,992	\$ 756,114
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	213,162	24 <b>,</b> 728
Improvements	416,375	_
Vehicles	43,227	_
Storm sewer lines	-	4,208,080
Construction in progress	8,217	<del>-</del>
Less accumulated depreciation	<u>(492,434)</u>	(1,928,655)
Total property, plant and equipment	\$236,246	\$2,304,153
Total assets	<u>\$517,238</u>	\$3,060,267
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 4,339	\$ -
Salaries payable	8 <b>,</b> 907	_
Accrued compensated absences	17 <b>,</b> 289	-
Accrued interest payable	_	308
Due to other funds	103,645	136
Due to state government	-	-
General obligation bonds	-	100,000
General obligation notes	40 F70	_
Prepaid interments Unearned revenue	42,579	_
Total current liabilities	119,914	\$ 100,444
iotal current liabilities	<u>\$296,673</u>	\$ 100,444
Long-term debt:		
General obligation notes	\$ <b>-</b>	\$ -
Net OPEB obligation	8,784	4,643
Total long-term debt	\$ 8,784	\$ 4,643
Total liabilities	\$305,457	\$ 105,087
Net assets:		
Invested in capital assets, net of related debt Unrestricted	\$236,246 <u>(24,465</u> )	\$2,204,153 751,027
Total net assets	\$211,781	\$2,955,180

See Accompanying Independent Auditor's Report.

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
\$ 30,313 100,000	\$ - -	\$ 72,159 -	\$ 278,204 100,000	\$ 575,434 750,050
151,825 3 - 4,940 1,061 \$288,142	8,471 - 16,913 - - 1,871 \$ 27,255	952 - - - - - - \$ 73,111	594,586 8 39,148 1,012 - 1,580 \$1,014,538	121,270 816,308 298 58,285 107,946 4,940 5,621 \$ 2,440,152
\$ - 461,278 12,606 - 814,353 - (666,952) \$621,285 \$909,427	\$196,813 553,873 370,230 64,066 18,533 - (606,258) \$597,257 \$624,512	\$4,143,120 - 2,584,991 13,000 - (2,578,301) \$4,162,810 \$4,235,921	\$ - 408,710 553,352 - 770,064 - (691,390) \$1,040,736	\$ 4,339,933 1,471,560 1,174,078 3,065,432 1,659,177 4,208,080 8,217 (6,963,990) \$ 8,962,487 \$11,402,639
\$ 29,295 27,661 43,728 - 1,831 - - - - \$102,515	\$ 37,001 14,045 12,461 - 1,520 2,290 - - - \$ 67,317	\$ 200 1,629 5,503 - 700 - - - 225 \$ 8,257	\$ 21,425 38,815 71,044 572 1,550 - 82,035 - \$ 215,441	\$ 92,260 91,057 150,025 880 109,382 2,290 100,000 82,035 42,579 120,139 \$ 790,647
\$ - 30,393 \$ 30,393 \$132,908	\$ - 3,718 \$ 3,718 \$ 71,035	\$ - 2,533 \$ 2,533 \$ 10,790	\$ 123,050 23,657 \$ 146,707 \$ 362,148	\$ 123,050 73,728 \$ 196,778 \$ 987,425
\$621,285 155,234 <b>\$776,519</b>	\$597,257 (43,780) <b>\$553,477</b>	\$4,162,810 62,321 <b>\$4,225,131</b>	\$ 835,651 857,475 <b>\$1,693,126</b>	\$ 8,657,402 1,757,812 \$10,415,214

## CITY OF MASON CITY NONMAJOR ENTERPRISE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	Cemetery	Storm Sewer
Operating revenues:		
Charges for service	\$ 98,873	\$ 283,573
Operating expenses:		
Business-type activities:		
Personal service	\$ 253,752	\$ 2,581
Contractual	16,108	275
Commodities Other	19,247 1,187	9,260
Depreciation	26,923	167,688
Total operating expenses	\$ 317,217	\$ 179,804
	<u></u> -	<u></u>
Operating income (loss)	<u>\$(218,344</u> )	\$ 103 <b>,</b> 769
Nonoperating revenues (expenses):		
Property taxes	\$ 114,460	\$ -
Intergovernmental	-	_
Fines and forfeitures	-	_
Use of money and property	31,917	1,237
Special assessments	-	-
Miscellaneous Interest	46,535	- (6,941)
Gain (loss) on sale of capital assets	_	(0,941)
Total nonoperating revenue (expenses)	\$ 192,912	\$ (5,704)
, , , , , , , , , , , , , , , , , , ,		
Income (loss) before contributions and transfers	\$ (25 <b>,</b> 432)	\$ 98,065
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	_	(35,000)
Capital contributions	_	30,340
Total contributions and transfers	\$ -	\$ (4,660)
Change in net assets	\$ (25,432)	\$ 93,405
Net assets beginning of year (as restated)	237,213	2,861,775
Net assets end of year	<u>\$ 211,781</u>	<u>\$2,955,180</u>

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
\$1,209,671	\$390 <b>,</b> 453	\$ 24,474	\$1,780,559	\$ 3,787,603
\$ 795,860 342,675 97,064 156 87,267 \$1,323,022 \$ (113,351)	\$278,194 12,960 117,841 - 36,155 \$445,150 \$(54,697)	\$ 52,490 39,176 2,223 - 14,434 \$ 108,323 \$ (83,849)	\$1,117,302 102,201 121,418 2,717 176,512 \$1,520,150 \$260,409	\$ 2,500,179 513,395 367,053 4,060 508,979 \$ 3,893,666 \$ (106,063)
\$ -	\$ -	\$ -	\$ -	\$ 114,460
- 186 542 968	816 - 25,512 - 2,535	43,006 108 - -	- 561 - 3,121 (8,774)	816 43,006 59,521 542 53,159 (15,715)
\$ 1,696	800 \$ 29,663	\$ 43,114	(15,111) \$ (20,203)	(14,311) \$ 241,478
\$ (111,655)	\$(25,034)	\$ (40,735)	\$ 240,206	\$ 135,415
\$ - (35,000) - \$ (35,000)	\$ - - - - -	\$ 25,000 - - \$ 25,000	\$ - - - \$ -	\$ 25,000 (70,000) 30,340 \$ (14,660)
\$ (146,655)	\$(25,034)	\$ (15,735)	\$ 240,206	\$ 120,755
923,174	578,511	4,240,866	1,452,920	10,294,459
<u>\$ 776,519</u>	<u>\$553,477</u>	<u>\$4,225,131</u>	<u>\$1,693,126</u>	\$10,415,214

#### CITY OF MASON CITY, IOWA NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

	Cemetery	Storm Sewer
Cash flows from operating activities: Cash received from customers	\$ 94.312	¢ 205 001
Cash paid to employees for services	\$ 94,312 (252,504)	\$ 285 <b>,</b> 801
Cash paid to employees for services  Cash paid to other suppliers of goods or services	(36,831)	(13,729)
Proceeds from miscellaneous items	46,535	(10) / 23)
Net cash provided (used) by operating	<del></del>	<del> </del>
activities	\$(148,488)	\$ 272,072
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 114 <b>,</b> 834	\$ -
Transfers in	-	(25,000)
Transfer out Advance to other funds	(1,420)	(35,000)
Advance from other funds  Advance from other funds	(1,420)	_
Advance repayment to other funds	_	(2,491)
Advance repayment from other funds	_	(=, 13 = /
Net cash provided (used) by non-capital		
financing activities	\$ 113,414	\$ (37,491)
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (7,681)	\$ -
Proceeds from sale of capital assets	_	· –
Principal payments	_	(100,000)
Interest payments		<u>(7,233</u> )
Net cash provided (used) for capital and	Ġ (B 601)	A (10E 000)
related financing activities	\$ (7 <b>,</b> 681)	\$(107,233)
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 875,000
Purchase of investments Interest received	-	(950,000)
Rent received	22,326	1,383
Net cash provided (used) by investing		
activities	\$ 22,326	\$ (73,617)
		· · · · · · · · · · · · · · · · · · ·
Net increase (decrease) in cash	\$ (20,429)	\$ 53 <b>,</b> 731
Cash beginning of year	46,159	<u>115,297</u>
Cash end of year	<u>\$ 25,730</u>	<u>\$ 169,028</u>
Noncash capital, investing and financing activities: Capital contributions	\$ <u> </u>	<u>\$ 30,340</u>

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
\$1,194,626 (802,635) (462,580) 1,510	\$418,173 (280,490) (159,391) 3,351	\$ 28,878 (52,469) (42,231) 43,006	\$1,746,867 (1,122,898) (247,718) 3,121	\$3,768,657 (2,510,996) (962,480) 97,523
\$ (69,079)	\$(18 <b>,</b> 357)	<u>\$(22,816)</u>	\$ 379 <b>,</b> 372	\$ 392,704
\$ - (35,000)	\$ - - - 1,012	\$ - 25,000 - - - - -	\$ - - (1,012) - - 33,679	\$ 114,834 25,000 (70,000) (2,432) 1,012 (2,491) 33,679
\$ (35,000)	\$ 1,012	\$ 25,000	\$ 32,667	\$ 99,602
\$ - - - -	\$(26,606) 800 - 	\$ - - - -	\$ (178,361) - (77,802) (9,021)	\$ (212,648) 800 (177,802) (16,254)
\$ -	<u>\$(25,806</u> )	<u>\$</u>	\$ (265,184)	\$ (405,904)
\$ 275,000 (250,000) 400	\$ - 13 23,991	\$100,000 (75,000) 131 	\$ 300,000 (250,000) 627	\$1,550,000 (1,525,000) 24,880 23,991
\$ 25,400	\$ 24,004	\$ 25,131	\$ 50,627	\$ 73 <b>,</b> 871
\$ (78,679) 108,992	\$ (19,147) 19,147	\$ 27,315 44,844	\$ 197,482 80,722	\$ 160,273 415,161
\$ 30,313	<u>\$</u>	<u>\$ 72,159</u>	<u>\$ 278,204</u>	<u>\$ 575,434</u>
\$ <u>-</u>	\$ <u>-</u>	<u>\$</u> _	<u>\$ -</u>	\$ 30,34 <u>0</u>

#### CITY OF MASON CITY, IOWA NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	Cemetery	Storm Sewer
Operating income (loss)	\$(218,344)	\$103 <b>,</b> 769
Adjustments to reconcile operating income		
to net cash from operating activities:		
Depreciation expense	26 <b>,</b> 923	167 <b>,</b> 688
Miscellaneous income	46,535	-
Change in assets and liabilities:		
(Increase) decrease in receivables	14	2,228
(Increase) decrease in inventory	(905)	-
(Increase) decrease in prepaid insurance	(47)	-
Increase (decrease) in accounts and contracts		
payable	664	(749)
Increase (decrease) in salaries payable	(3,380)	-
Increase (decrease) in accrued compensated absences	1,973	-
Increase (decrease) in due to other funds	-	(3,445)
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(4 <b>,</b> 575)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	2,654	2,581
Net cash provided (used) by operating		
activities	<u>\$(148,488</u> )	<u>\$272,072</u>

Solid Waste	Golf Course	Parking Lots	Ambulance	Total
\$(113,351)	\$(54,697)	\$(83,849)	\$260,409	\$(106,063)
87 <b>,</b> 267	36,155	14,434	176 <b>,</b> 512	508,979
1,510	3,351	43,006	3,121	97,523
(15,045)	(1 204)	4 <b>,</b> 277	(51,874)	(60,400)
(290)	(1,284) (321)	_	(19 <b>,</b> 583) 136	(21 <b>,</b> 772) (522)
(290)	(321)		130	(322)
(20,522)	3,761	(579)	(2,264)	(19 <b>,</b> 689)
(10,521)	(5,890)	(595)	(11,845)	(32,231)
(5,437)	261	(150)	19,169	15 <b>,</b> 816
(1 <b>,</b> 873)	266	700	330	(4,022)
-	(1,082)	_	-	(1,082)
-	_	_	-	(4,575)
-	-	(825)	-	(825)
<u>9,183</u>	<u> 1,123</u>	<u>765</u>	<u>5,261</u>	<u>21,567</u>
<u>\$ (69,079</u> )	<u>\$(18,357</u> )	<u>\$(22,816</u> )	\$379,372	\$ 392,704

### INTERNAL SERVICE FUNDS

#### CITY OF MASON CITY, IOWA INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

	Central Services	Employee Health Care	Total
ASSETS:			
Current assets:			
Cash	\$ 28 <b>,</b> 535	\$ 666 <b>,</b> 677	\$ 695 <b>,</b> 212
Investments	_	629 <b>,</b> 029	629 <b>,</b> 029
Receivables:			
Property taxes	_	722,382	722,382
Accrued interest	_	635	635
Due from other funds	23 <b>,</b> 236	-	23 <b>,</b> 236
Prepaid insurance	141		141
Total current assets	\$ 51,912	\$2,018,723	\$2,070,635
Property, plant and equipment:			
Equipment	\$105 <b>,</b> 098	\$ -	\$ 105,098
Vehicles	85,174		85 <b>,</b> 174
Total property, plant and equipment	\$190,272	\$ -	\$ 190 <b>,</b> 272
Less accumulated depreciation	<u>(153,324</u> )		(153,324)
Net property, plant and equipment	\$ 36,948	\$ -	\$ 36,948
Total assets	\$ 88,860	\$2,018,723	\$2,107,583
LIABILITIES:			
Accounts payable	\$ 540	\$ 548,200	\$ 548,740
Salaries payable	6,161	_	6,161
Accrued compensated absences	7,226	_	7,226
Due to other funds	6	_	6
Unearned revenue	_	736 <b>,</b> 775	736 <b>,</b> 775
Total liabilities	\$ 13,933	\$1,284,975	\$1,298,908
Net Assets:			
Invested in capital assets, net of			
related debt	\$ 36,948	\$ -	\$ 36 <b>,</b> 948
Unrestricted	37,979	733,748	771,727
Total net assets	\$ 74,927	<u>\$ 733,748</u>	<u>\$ 808,675</u>

## CITY OF MASON CITY, IOWA INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	Central Services	Employee Health Care	Total
Operating revenues: Charges for service Health insurance contributions Total operating revenues	\$287,828 - \$287,828	\$ - 2,462,012 \$ 2,462,012	\$ 287,828 2,462,012 \$2,749,840
Operating expenses: Business type activities: Personal services Contractual Commodities Depreciation Total operating expenses	\$180,351 15,636 25,298 14,215 \$235,500	\$ 3,473,718 - - - \$ 3,473,718	\$3,654,069 15,636 25,298 14,215 \$3,709,218
Operating income (loss)	\$ 52,328	\$(1,011,706)	\$ (959,378)
Nonoperating revenues: Property taxes Use of money and property Total nonoperating revenues	\$ - <u>-</u> \$ -	\$ 764,733 35,812 \$ 800,545	\$ 764,733 35,812 \$ 800,545
Change in net assets	\$ 52,328	\$ (211,161)	\$ (158,833)
Net assets beginning of year	22,599	944,909	967,508
Net assets end of year	<u>\$ 74,927</u>	<u>\$ 733,748</u>	<u>\$ 808,675</u>

#### CITY OF MASON CITY, IOWA INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2012

	Central Services	Employee Health Care	Total
Cash flows from operating activities: Cash received from interfund charges	\$287 <b>,</b> 368	\$ 2,043,156	\$ 2,330,524
Cash received from employees and others Cash paid to employees for services	(184,203)	421,099	421,099 (184,203)
Cash paid to suppliers	(74,630)	_	(74,630)
Cash paid for health and life	( - 7 7 )		( - 7 - 5 - 7 )
insurance		(3,655,691)	(3,655,691)
Net cash provided (used) by			
operating activities	\$ 28,535	\$(1,191,436)	\$(1,162,901)
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 767,333	\$ 767,333
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$ 1,300,000	\$ 1,300,000
Purchase of investments	· –	(900,000)	(900,000)
Interest received		13,644	13,644
Net cash provided (used) by			
investing activities	\$ -	\$ 413,644	\$ 413,644
Net increase in cash	\$ 28,535	\$ (10,459)	\$ 18,076
Cash beginning of year	<u> </u>	677,136	677,136
Cash end of year	<u>\$ 28,535</u>	<u>\$ 666,677</u>	<u>\$ 695,212</u>
Noncash capital, investing and financing activities: Increase in fair market value of			
investments	\$ -	\$ 22,853	\$ 22 <b>,</b> 853
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 52 <b>,</b> 328	\$(1,011,706)	\$ (959,378)
Adjustments to reconcile operating income (loss) to net cash from operating activities	20.		
Depreciation expense	14,215	_	14,215
Change in assets and liabilities:	11,210		11,210
(Increase) decrease in due from other			
funds	(461)	_	(461)
Increase (decrease) in accounts payable	(35)	(181,141)	(181 <b>,</b> 176)
Increase (decrease) in salaries payable	(2,184)	_	(2,184)
Increase (decrease) in compensated absence	ces (1,668)	<del>-</del>	(1,668)
Increase (decrease) in unearned revenues	-	1,411	1,411
Increase (decrease) in due to other funds	(33,660)		(33,660)
Net cash provided (used) by operating activities	<u>\$ 28,535</u>	<u>\$ (1,191,436</u> )	\$(1,162,901)

See Accompanying Independent Auditor's Report.

### CAPITAL ASSETS USED

ΙN

### **OPERATIONS**

## CITY OF MASON CITY, IOWA CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE JUNE 30, 2012

General capital assets:

Land	\$ 2,635,891
Buildings and structures	11,049,670
Improvements other than buildings	26,643,957
Machinery and equipment	15,248,407
Vehicles	7,668,801
Infrastructure	80,037,249
Construction in progress	20,523,360

Total general capital assets \$163,807,335

Investment in general capital assets by source: General fund

\$163,807,335

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

## CITY OF MASON CITY, IOWA CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY JUNE 30, 2012

Function and Activity	Total	Land
Public Safety:		
Police	\$ 3,261,039	\$ 115 <b>,</b> 000
Fire	3,817,431	75 <b>,</b> 150
Civil Defense	225,118	_
Building	46,998	-
Inspectors	39,024	_
Neighborhood Services	816,846	_
Total public safety	\$ 8,206,456	\$ 190,150
Public Works:		
Airport	\$ 26,297,334	\$1,725,891
Street	4,961,058	31,363
Infrastructure	81,917,260	J1, JUJ
Arborist	144,213	_
	204,791	_
Engineer	\$113,524,656	<u> </u>
Total public works	\$113,324,636	\$1,757,254
Health and Social Services:		
Youth Task Force	\$ 17,414	\$ -
Health	20,660	-
Human Rights	37,164	
Total health and social services	\$ 75,238	\$ -
Culture and Recreation:		
Parks	\$ 23,796,714	\$ 673,452
Swimming Pool	3,179,584	_
Recreation	403,163	_
Library	10,090,732	13,500
Museum	1,584,189	
Band	2,881	_
Total culture and recreation	\$ 39,057,263	\$ 686,952
Community and Economic Development:		
Growth Development and Planning	\$ 37,831	\$ -
Transit	1,368,137	<del>_</del>
Total community and economic development	\$ 1,405,968	\$ -
General Government:		
Mayor	\$ 5 <b>,</b> 252	\$ -
Council/Coffee room	31,267	-
Administrator	18,347	_
Finance	97,118	_
Clerk	17,463	_
City Hall	1,360,881	_
Safety Director	3,851	_
GIS	3,575	_
Total general government	\$ 1,537,754	\$ -
Total general capital assets	<u>\$163,807,335</u>	\$2,634,356

See Accompanying Independent Auditor's Report.

Buildings and Structures	Improvements Other Than Buildings	Machinery & Equipment	Vehicles	Infrastructure	Construction in Progress
\$ 1,697,228 910,973 - - - 791,990	\$ - 94,412 - - -	\$ 764,425 788,250 225,118 15,409 10,001 5,591	\$ 684,386 1,948,646 - 31,589 29,023 19,265	\$ - - - - -	\$ - - - - -
\$ 3,400,191	\$ 94,412	\$ 1,808,794	\$2,712,909	\$ -	\$ -
\$ 2,083,872 1,753,167 - - - \$ 3,837,039	\$17,439,717 - - - - \$17,439,717	\$ 483,488 902,400 - 7,883 138,690 \$ 1,532,461	\$1,301,130 2,274,128 - 136,330 66,101 \$3,777,689	\$ - 80,037,249 - \$80,037,249	\$ 3,263,236 - 1,880,011 - - \$ 5,143,247
\$ - - - \$ -	\$ - - - \$ -	\$ 17,414 4,391 37,164 \$ 58,969	\$ - 16,269 - \$ 16,269	\$ - - - \$ -	\$ - - - \$ -
\$ 941,056 - 9,519,775 1,399,325 - \$11,860,156	\$ 5,639,233 3,080,480 136,691 239,231 14,188 - \$ 9,109,823	\$ 974,203 99,104 202,331 318,226 170,676 2,881 \$ 1,767,421	\$ 188,657 - 64,141  \$ 252,798	\$ - - - - - - \$ -	\$15,380,113 - - - - - - \$15,380,113
\$ - 394,539 \$ 394,539	\$ - \$ -	\$ 37,831 64,462 \$ 102,293	\$ - 909,136 \$ 909,136	\$ - <u>-</u> \$ -	\$ - <u>-</u> \$ -
\$ - - - 896,350 - - \$ 896,350	\$ - - - 1,540 - - \$ 1,540	\$ 5,252 31,267 18,347 97,118 17,463 462,991 3,851 3,575 \$ 639,864	\$	\$	\$ - - - - - - - - - - - - - -
\$11,049,670	\$26,645,492	\$15,248,407	\$7,668,801	\$80,037,249	\$20,523,360

# CITY OF MASON CITY, IOWA CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY YEAR ENDED JUNE 30, 2012

Function and Activity	Balance June 30, 2011
Public Safety:	A 2 010 000
Police	\$ 3,210,802
Fire	3,813,663
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	835,178
Total public safety	\$ 8,170,783
Public Works:	
Airport	\$ 22,819,480
Street	3 <b>,</b> 992 <b>,</b> 785
Infrastructure (as restated)	73,150,857
Arborist	144,213
Engineer	221,060
Total public works	\$100,328,395
Health and Social Services:	
Youth Task Force	\$ 17 <b>,</b> 414
Health	4,391
Human Rights	42,577
Total health and social services	\$ 64,382
Culture and Recreation:	
Parks	\$ 8,264,478
Swimming Pool	3,179,585
Recreation	398 <b>,</b> 815
Library	748 <b>,</b> 445
Museum	1,578,966
Band	2,881
Total culture and recreation	\$ 14,173,170
Community and Economic Development:	
Growth Development and Planning	\$ 45 <b>,</b> 665
Transit	1,350,128
Total community and economic development	\$ 1,395,793
General Government:	
Mayor	\$ 5 <b>,</b> 252
Council/Coffee room	31,267
Administrator	18,347
Finance	90,714
Clerk	18,470
City Hall	1,218,252
Safety Director	7,844
GIS	3 <b>,</b> 575
Total general government	\$ 1,393,721
Construction in progress	\$ 28,627,872
Total general capital assets	\$154,154,116

See Accompanying Independent Auditor's Report.

Additions	Deletions	Balance June 30, 2012
\$ 50,237 3,768 - - - - - \$ 54,005	\$ 18,332	\$ 3,261,039 3,817,431 225,118 46,998 39,024 816,846 \$ 8,206,456
\$ 239,619 1,262,994 6,886,392 - - \$ 8,389,005	\$ 25,000 294,721 - 16,270 \$ 335,991	\$ 23,034,098 4,961,058 80,037,249 144,213 204,791 \$108,381,409
\$ - 16,269 - \$ 16,269	\$ - 5,413 \$ 5,413	\$ 17,414 20,660 37,164 \$ 75,238
\$ 172,241 - 7,540 9,342,850 5,222 - \$ 9,527,853	\$ 20,118 - 3,192 563 - - \$ 23,873	\$ 8,416,601 3,179,584 403,163 10,090,732 1,584,189 2,881 \$ 23,677,150
\$ - 18,009 \$ 18,009	\$ 7,834 - \$ 7,834	\$ 37,831 1,368,137 \$ 1,405,968
\$ - 6,404 - 142,629 - \$ 149,033 \$ 8,832,136	\$ - - 1,007 - 3,993 - \$ 5,000 \$16,936,648	\$ 5,252 31,267 18,347 97,118 17,463 1,360,881 3,851 3,575 \$ 1,537,754 \$ 20,523,360
<u>\$26,986,310</u>	<u>\$17,333,091</u>	<u>\$163,807,335</u>

## STATISTICAL SECTION

### CITY OF MASON CITY, IOWA STATISTICAL SECTION

This part of the City of Mason City's comprehensive annual report presents detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends  These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	111-120
Revenue Capacity  These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	121-129
Debt Capacity  These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130-137
Demographic and Economic Information  These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	138-142
Operating Information  These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	143-146

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

## CITY OF MASON CITY, IOWA NET ASSETS BY COMPONENT LAST TEN FISCAL YEARS (accrual basis of accounting)

	2012	2011 (1)	2010	2009
Governmental activities:				
Invested in capital assets, net of related debt	\$ 84,438,764	\$ 78,121,123	\$ 67,769,666	\$ 60,958,677
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	055,050	-	61,631	267,858
Perpetual care	527,193	509,011	505,269	486,855
Unrestricted	22,798,317	•		•
Total governmental				
activities net assets	\$108,397,912	\$ 99,877,310	<u>\$ 90,358,291</u>	<u>\$83,258,760</u>
Business-type activities:				
Invested in capital assets, net				
of related debt	\$ 45 942 815	\$ 40,172,842	\$ 38 361 919	\$ 38,209,810
Restricted for:	Ψ 13 <b>,</b> 312, 013	V 10/172/012	¥ 30 <b>,</b> 301 <b>,</b> 313	¥ 30 <b>,</b> 203 <b>,</b> 010
Bond retirement	2,863,129	2,866,968	2,853,334	2,836,665
Capital projects	_	_	_	_
Unrestricted	4,005,609	4,952,139	3,251,027	2,085,637
Total business-type	<del></del>	· · · · · · · · · · · · · · · · · · ·		
activities net assets	\$ 52,811,553	\$ 47,991,949	\$ 44,466,280	\$ 43,132,112
Dod many many many				
Primary government: Invested in capital assets, net				
of related debt.	\$130 381 570	\$118,293,965	\$106,131,585	\$ 99,168,487
Restricted for:	\$130 <b>,</b> 301 <b>,</b> 379	7110,293,903	7100,131,303	7 99,100,407
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	2,863,129	•		3,104,523
Capital projects	_	_	_	_
Perpetual care	527,193	509,011	505,269	486,855
Unrestricted	26,803,926		24,639,114	22,997,639
Total primary government				
net assets	<u>\$161,209,465</u>	<u>\$147,869,259</u>	<u>\$134,824,571</u>	<u>\$126,390,872</u>

<sup>(1) 2011</sup> net asset components have been adjusted to reflect the July 1, 2011 restatement.

2008	2007	2006	2005	2004	2003
\$ 54,151,661	\$ 51,379,331	\$ 47,154,271	\$ 41,643,488	\$33,654,513	\$25,910,449
633,638 362,803 455,442 23,700,869	610,638 505,025 429,743 22,247,468	619,718 418,734 20,839,020	769,200 448,409 22,232,947	1,221,315 414,424 21,906,460	2,313,361 440,142 27,179,952
<u>\$ 79,304,413</u>	<u>\$ 75,172,205</u>	\$ 69,031,743	\$ 65,094,044	\$57,196,712	<u>\$55,843,904</u>
\$ 36,086,120	\$ 35,294,652	\$ 34,761,907	\$ 34,113,573	\$34,673,507	\$29,846,554
2,799,606	2,578,675	2,379,182	1,920,304	1,695,224	1,587,958
2 <b>,</b> 149 <b>,</b> 576	1,274,797	1,206,696	1,926,433	435,680 (1,240,259)	626,337
\$ 41,035,302	\$ 39,148,124	<u>\$ 38,347,785</u>	\$ 37,960,310	<u>\$35,564,152</u>	\$32,060,849
\$ 90,237,781	\$ 86,673,983	\$ 81,916,178	\$ 75,757,061	\$68,328,020	\$55,757,003
633,638	610,638	_	_	_	_
3,162,409	3,083,700	2,998,900	2,689,504	2,916,539	3,901,319
455 <b>,</b> 442	429,743	418,734	448,409	435,680 414,424	440,142
25,850,445	23,522,265	22,045,716	24,159,380	20,666,201	27,806,289
\$120,339,715	\$114,320,329	\$107,379,528	\$103,054,354	\$92,760,864	\$87,904,753

# CITY OF MASON CITY, IOWA CHANGE IN NET ASSETS LAST TEN FISCAL YEARS (accrual basis of accounting)

	2012	2011	2010	2009
Expenses:				
Governmental activities:	A 0 505 450	<b>*</b> • • • • • • • • • • • • • • • • • • •	<b>.</b>	A 0 556 604
Public safety	\$ 9,787,453	\$ 9,402,887	\$ 8,897,795	\$ 8,776,634
Public works Health and social services	7,382,204 906,341	7,450,233 808,916	6,910,495 779,197	6,912,927 769,456
Culture and recreation	4,091,975	3,503,976	3,475,535	3,720,434
Community and economic	4,001,070	3,303,370	3,473,333	3,720,434
development	1,979,288	2,252,333	2,368,084	1,937,074
General government	2,211,823	2,176,829	2,593,594	2,668,372
Interest on long-term debt	992,502	1,053,911	987,814	695,529
Total governmental				
activities expenses	\$ 27,351,586	\$ 26,649,085	\$ 26,012,514	\$ 25,480,426
Business-type activities:				
Cemetery	\$ 333,251	\$ 314,613	\$ 300,661	\$ 282,484
Water	5,158,365	5,218,343	5,244,979	5,047,464
Sewer	3,824,139	3,505,748	3,473,401	3,118,427
Parking lots	112,947	127,198	135,289	118,762
Storm sewer	186,745	189,862	182,262	178,107
Solid waste	1,378,497	1,289,603	1,244,442	1,216,902
Golf course Ambulance	449,534	473,005	453,765	463,543
Total business-type	1,581,505	1,572,168	1,265,397	1,353,951
activities expenses	\$ 13,024,983	\$ 12,690,540	\$ 12,300,196	\$ 11,779,640
Total primary government	<u>+ 13/021/303</u>	<u>+ 12/030/010</u>	<u>+ 12/300/130</u>	<u> </u>
expenses	\$ 40,376,569	\$ 39,339,625	\$ 38,312,710	\$ 37,260,066
P				
<pre>Program Revenues: Governmental activities:</pre>				
Charges for services:				
Public safety	\$ 381,382	\$ 356,340	\$ 287,781	\$ 388,341
Culture and recreation	540,478	550,848	458,412	474,665
General government	311,974	410,024	382,266	453,072
Other activities	424,824	269,465	587,134	215,322
Operating grants and				
contributions	4,303,876	3,748,874	2,380,822	1,970,043
Capital grants and contributions	8,315,838	10,109,341	7,737,713	4,828,170
Total governmental activities		<b>A</b> 15 444 000	A 11 004 100	<b>A</b> 0 000 610
program revenues	\$ 14,278,372	\$ 15,444,892	\$ 11,834,128	\$ 8,329,613
Business-type activities:				
Charges for services:				
Water	\$ 5,388,342	\$ 5,238,573	\$ 4,979,982	\$ 4,647,116
Sewer	4,388,117	4,658,234	4,304,033	4,196,151
Other activities Operating grants and contributions	3,830,609 37,354	3,645,750	3,612,573	3,637,931
Capital grants and contributions	4,030,634	619,206 914,735	188,313 206,190	584,695 270,810
Total business-type	4,030,034	<u> </u>	200,100	270,010
activities program revenues	\$ 17,675,056	\$ 15,076,498	\$ 13,291,091	\$ 13,336,703
Total primary government				
program revenues	<u>\$ 31,953,428</u>	\$ 30,521,390	<u>\$ 25,125,219</u>	<u>\$ 21,666,316</u>
Not (Ferrance) Passagers				
Net (Expense) Revenues: Governmental activities	\$ (13 073 214)	\$(11,204,193)	\$ (14 170 396)	\$ (17 150 012)
Business-type activities	4,650,073	2,385,958	990,895	1,557,063
Total primary government	<u> </u>			
net (expense) / revenues	<u>\$ (8,423,141</u> )	<u>\$ (8,818,235</u> )	<u>\$(13,187,491</u> )	<u>\$(15,593,750</u> )

(continued)

2008	2007	2006	2005	2004	2003
\$ 8,836,067 6,547,510 838,912 3,192,566	\$ 8,497,763 5,695,837 719,340 3,197,601	\$ 8,550,232 5,510,270 614,429 3,029,345	\$ 7,926,815 4,320,043 661,340 2,852,682	\$ 7,651,154 5,408,728 556,758 2,739,284	\$ 6,906,490 5,478,863 484,978 2,298,424
1,516,775 2,206,251 580,638	1,429,911 2,241,467 541,891	3,610,475 2,366,733 509,503	2,886,020 2,215,481 521,935	3,885,016 2,013,286 589,257	4,005,048 2,176,336 544,542
\$ 23,718,719	\$ 22,323,810	\$ 24,190,987	\$21,384,316	\$ 22,843,483	\$ 21,894,681
\$ 263,411 4,896,428 2,841,619 112,018 188,876 1,201,526 496,383 1,300,570 \$ 11,300,831	\$ 265,149 4,791,948 2,754,070 103,884 116,252 1,141,987 465,044 1,169,878 \$ 10,808,212	\$ 258,434 4,193,851 2,670,534 114,494 125,947 1,090,911 404,347 1,150,308 \$ 10,008,826	\$ 243,474 3,165,550 2,519,795 96,321 122,333 1,020,631 326,498 907,072 \$ 8,401,674	\$ 242,607 2,755,310 2,375,568 93,865 108,823 980,181 333,049 213,640 \$ 7,103,043	\$ 236,838 2,461,202 2,518,571 86,350 116,243 980,430 312,588
\$ 35,019,550	\$ 33,132,022	\$ 34,199,813	\$29,785,990	\$ 29,946,526	<u>\$ 28,606,903</u>
\$ 331,821 462,564 399,780 266,913 1,586,253 3,383,038 \$ 6,430,369	\$ 469,917 529,079 372,805 229,317 1,690,908 4,537,680 \$ 7,819,706	\$ 503,548 465,783 203,975 506,609 3,382,410 4,771,256 \$ 9,833,581	\$ 569,319 443,535 481,621 292,758 3,200,201 7,357,615 \$12,345,049	\$ 533,677 495,459 298,815 380,010 2,982,349 1,404,793 \$ 6,095,103	\$ 603,241 440,545 325,566 478,847 2,343,486 1,632,310 \$ 5,823,995
\$ 4,701,954 3,060,266 3,525,466	\$ 4,587,840 2,583,223 3,272,750	\$ 4,091,801 2,347,982 3,043,408	\$ 3,996,205 2,275,044 2,630,558	\$ 3,542,206 2,028,147 1,621,988	\$ 2,991,747 2,125,686 1,582,947
1,111,409	583,409	523,134	1,236,866	3,289,676	1,667,106
\$ 12,399,095	\$ 11,027,222	\$ 10,006,325	\$10,138,673	\$ 10,482,017	\$ 8,367,486
\$ 18,829,464	<u>\$ 18,856,928</u>	<u>\$ 19,839,906</u>	\$22,483,722	<u>\$ 16,577,120</u>	<u>\$ 14,191,481</u>
\$ (17,288,350) 1,098,264 \$ (16,190,086)	\$ (14, 494, 104) 219,010	\$ (14,357,406) (2,501) \$ (14,359,907)	\$ (9,039,267) 1,736,999 \$ (7,302,268)	\$ (16,748,380) 3,378,974 \$ (13,369,406)	\$ (16,070,686) 1,655,264 \$ (14,415,422)
$\frac{2(10,130,000)}{}$	<u>\$(14,275,094</u> )	<u> </u>	( <u>۵۵۷, ۵۷۷, ۲۵۵</u> )	<u> </u>	<u>\$ (14,415,422</u> )

## CITY OF MASON CITY, IOWA CHANGE IN NET ASSETS LAST TEN FISCAL YEARS (accrual basis of accounting)

	2012	2011	2010	2009
General Revenues and Other Changes				
in Net Assets:				
Governmental activities:				
General revenues:				
Property taxes	\$14,594,866	\$14,145,418	\$13,104,150	\$12,884,283
Other taxes	5,319,902	4,783,420	4,435,891	4,576,634
Franchise taxes	_	_	_	_
Road use tax	-	_	2,466,138	2,417,780
Unrestricted state utility				
tax replacement	156 <b>,</b> 531	151 <b>,</b> 361	174,130	186,493
Grants and contributions not				
restricted to specific program	95,746	386,403	19,107	44,895
Unrestricted investment income	1,002,440	596,673	1,068,587	795,157
Gain (loss) on sale of capital				
assets	-	_	-	-
Miscellaneous	259,331	259,307	13,663	265,548
Transfers	165,000	(36,000)	(3,749)	(65,630)
Total governmental activities	\$21,593,816	\$20,286,582	\$21,277,917	\$21,105,160
			<del></del>	·
Business-type activities:				
General revenues:				
Property taxes	\$ 114,460	\$ 113 <b>,</b> 987	\$ 112 <b>,</b> 825	\$ 105,232
Grants and contributions not				
restricted to specific program	_	_	_	_
Unrestricted investment income	112,040	96,638	133,399	198,766
Gain (loss) on sale of capital				
assets	-	-	-	-
Miscellaneous	108,031	81,894	93,300	170,119
Transfers	(165,000)	36,000	3,749	65,630
Total business-type activities	\$ 169,531	\$ 328,519	\$ 343,273	\$ 539,747
Total primary government	<u>\$21,763,347</u>	<u>\$20,615,101</u>	<u>\$21,621,190</u>	<u>\$21,644,907</u>
Change in Net Assets:				
Governmental activities	\$ 8,520,602	\$ 9,082,389	\$ 7,099,531	\$ 3,954,347
Business-type activities	4,819,604	2,714,477	1,334,168	2,096,810
Total primary government	\$13,340,206	\$11,796,866	\$ 8,433,699	\$ 6,051,157
rocar primary government	723,340,200	<del>+++,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</del>	+ 0,200,000	<del>+ 0,031,131</del>

2008	2007	2006	2005	2004	2003
\$12,343,528 5,032,706	\$11,819,970 4,400,683	\$10,490,524 4,112,909	\$ 9,449,162 3,628,930	\$ 9,121,213 5,260,326	\$ 8,897,703 3,981,825
- 2,499,599	2,440,873	2,442,817	12,883 2,422,050	72,000 2,444,356	20,628 2,355,322
186,315	184,216	159,226	161,992	171,678	388,170
10,001 1,478,799	92,191 1,746,741	80,804 1,028,584	17,401 1,340,758	132,876 693,661	319,333 1,059,921
104,746 (235,136) \$21,420,558	46,892 (97,000) \$20,634,566	10,037 (29,796) \$18,295,105	259,635 (356,212) \$16,936,599	146,427 58,651 \$18,101,188	(286,153) 130,268 (791,038) \$16,075,979
\$ 100,873	\$ 92,417	\$ 92,994	\$ 87,090	\$ 83,372	\$ 87,734
2,825 346,442	- 343,964	- 185,868	- 182,609	- 65,418	124,702
103,638 235,136 \$ 788,914	47,948 97,000 \$ 581,329	81,318 29,796 \$ 389,976	33,248 356,212 \$ 659,159	34,190 (58,651) \$ 124,329	(2,437) 37,944 791,038 \$ 1,038,981
<u>\$22,209,472</u>	<u>\$21,215,895</u>	<u>\$18,685,081</u>	\$17,595,758	\$18,255,517	\$17,114,960
\$ 4,132,208 1,887,178 \$ 6,019,386	\$ 6,140,462 800,339 <b>\$ 6,940,801</b>	\$ 3,937,699 387,475 <b>\$ 4,325,174</b>	\$ 7,897,332 2,396,158 <b>\$10,293,490</b>	\$ 1,352,808 3,503,303 <b>\$ 4,856,111</b>	\$ 5,293 2,694,245 <b>\$ 2,699,538</b>

## CITY OF MASON CITY, IOWA FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

	2012	2011	2010	2009
General Fund:	<u> </u>			
Reserved	\$ -	\$ -	\$ 214,097	\$ 227,684
Unreserved	_	_	8,311,761	7,035,343
Nonspendable	151,565	139,912	<u> </u>	· -
Restricted	1,295,953	1,316,949	-	-
Assigned	374,681	474,153	_	_
Unassigned	5,165,554	5,125,768	-	-
Total general fund	\$ 6,987,753	\$ 7,056,782	\$ 8,525,858	\$ 7,263,027
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ 1,211,159	\$ 1,398,244
Unreserved, reported in:				
Special revenue funds	_	=	9,542,365	8,662,741
Capital project funds	_	_	654,364	2,371,946
Permanent funds	_	=	175,591	268,182
Nonspendable	646,187	645 <b>,</b> 079	=	_
Restricted	13,067,223	12,077,490	=	=
Assigned	1,378,163	1,380,703	=	_
Unassigned	(156,514)	(1,391,926)	<b>-</b> -	<b>-</b>
Total all other	<del></del>			
governmental funds	\$14,935,059	<u>\$12,711,346</u>	\$11,583,479	\$12,701,113

Note: The City implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011.

2008	2007	2006	2005	2004	2003
\$ 209,866 8,412,260	\$ 211,759 8,669,062	\$ 208,096 8,593,915	\$ 212,296 9,052,118	\$ 190,564 8,976,676	\$ 222,936 8,472,303
- - -	- - -	- - -	- - -	- - -	- - -
\$ 8,622,126	\$ 8,880,821	\$ 8,802,011	\$ 9,264,414	\$ 9,167,240	\$ 8,695,239
\$ 1,457,861	\$ 1,551,247	\$ 1,045,151	\$ 1,344,270	\$ 1,766,522	\$ 2,874,058
8,760,295 3,882,653 299,917	7,807,590 3,788,901 301,100	6,722,890 3,614,649 893,426	6,655,169 4,631,731 791,927	4,864,385 5,927,280 818,046	10,096,950 5,924,491 760,774
- -			- -		-
\$14,400,726	\$13,448,838	\$12,276,116	\$13,423,097	\$13,376,233	<u>\$19,656,273</u>

# CITY OF MASON CITY, IOWA CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

P	2012	2011	2010	2009
Revenues:	\$12,329,153	\$11,933,871	\$11,227,096	\$10,615,964
Property taxes TIF revenues	1,500,976	1,438,648	1,113,291	1,293,624
Other taxes	5,476,433	4,934,781	4,610,021	4,763,020
Licenses and permits	598,403	627,128	526,228	594,809
Intergovernmental	12,222,158	13,550,171	11,920,642	8,771,337
Charges for services	950,316	868,987	1,098,884	788,428
Fines and forfeitures	83,949	81,317	73,912	117,261
Use of money and property	966,669	580,143	1,046,555	747,268
Special assessments	25,990	9,245	16,569	30,900
Miscellaneous	690,139	1,016,838	637,005	591,339
Refunds	15,396	7,984	34,447	207,873
Total revenues	\$34,859,582	\$35,049,113	\$32,304,650	\$28,521,930
Expenditures:				
Public safety	\$ 8,935,302	\$ 8,744,332	\$ 8,377,479	\$ 8,121,819
Public works	3,130,523	3,228,134	3,398,998	2,879,684
Health and social services	853 <b>,</b> 755	787 <b>,</b> 650	765,063	750 <b>,</b> 863
Culture and recreation	3,092,889	2,917,485	2,988,797	3,046,106
Community and economic development	5,472,392	12,624,763	7,278,193	1,693,168
General government	2,101,725	2,113,201	2,469,483	2,531,895
Capital projects	6,437,190	7,502,631	13,623,213	16,059,284
Debt service:				
Principal retirement	3,363,870	2,601,875	2,117,833	1,659,835
Interest	956 <b>,</b> 803	993 <b>,</b> 656	955 <b>,</b> 151	634 <b>,</b> 734
Contractual	62,470	41,578	9,669	48,424
Total expenditures	\$34,406,919	\$41,555,305	\$41,983,879	\$37,425,812
Excess (deficiency) of revenues over	450.660	A (	* (O. 6EO. 000)	* 40 000 000
(under) expenditures	\$ 452,663	\$(6,506,192)	\$(9,679,229)	\$(8,903,882)
Other financing sources (uses):				
Issuance of refunding bonds	\$ 2,144,077	\$ -	\$ -	\$ -
Payment to refunding escrow agent	(1,994,077)	_	_	_
Issuance of general obligation bonds	1,400,000	5,785,000	9,108,900	5,485,800
Premium (discount) on bonds issued	(12,980)	(32,017)	25,275	_
Sale of capital assets	_	_	_	_
Transfers in	2,828,522	2,578,286	2,655,746	2,537,998
Transfers out	(2,663,521)	(1,849,286)	(1,965,495)	(2,178,628)
Total other financing sources (uses)	\$ 1,702,021	\$ 6,481,983	\$ 9,824,426	\$ 5,845,170
Net change in fund balances	\$ 2,154,684	<u>\$ (24,209</u> )	<u>\$ 145,197</u>	\$(3,058,712)
Debt service as a percentage of				
noncapital expenditures	<u>21.92</u> %	<u>15,47</u> %	<u>13.25</u> %	<u>10.40</u> %

2008	2007	2006	2005	2004	2003
\$ 9,991,874	\$ 9,509,937	\$ 8,441,105	\$ 7,764,803	\$ 7,821,949	\$ 7,588,119
1,549,165	1,539,641	1,324,877	1,334,795	1,299,264	1,309,583
5,219,025	4,584,899	4,272,135	3,803,805	5,504,004	4,390,623
589,770	583,098	422,326	752,700	576,466	777,534
7,062,389	7,917,610	9,576,497	11,825,024	6,394,531	5,910,170
673 <b>,</b> 796	804,962	986,768	715 <b>,</b> 507	715,657	634,019
88,621	169,377	195,322	228 <b>,</b> 678	162,745	92 <b>,</b> 439
1,408,275	1,685,388	994,387	1,305,195	671 <b>,</b> 163	1,019,077
108,927	43,681	75 <b>,</b> 497	90,348	253 <b>,</b> 091	344,207
497,160	860,681	1,127,791	1,078,449	634,460	840,337
72,695	73,281	111,921	87,314	72,811	55 <b>,</b> 458
\$27,261,697	\$27,772,552	\$27,528,626	\$28,986,618	\$24,106,141	\$22,961,566
\$ 8,339,910	\$ 8,088,949	\$ 7,904,694	\$ 7,396,491	\$ 7,038,308	\$ 6,277,854
3,278,651	3,218,936	2,954,535	2,922,781	3,158,130	3,368,579
805 <b>,</b> 599	699 <b>,</b> 620	586,664	638,500	532 <b>,</b> 232	456 <b>,</b> 108
2,785,729	2,815,767	2,596,250	2,456,088	2,341,327	2,161,533
1,134,548	1,301,826	3,617,369	2,741,518	3,744,709	3,888,304
2,134,146	2,175,747	2,244,677	2,114,246	1,905,417	2,056,340
7,859,352	8,772,725	8,734,458	11,064,257	9,594,988	7,201,659
1,792,073	1,571,570	1,396,363	1,255,708	2,660,020	1,442,000
530,122	515,464	490,091	486 <b>,</b> 787	563 <b>,</b> 568	474 <b>,</b> 521
50,115	22,100	16,113	<u>26,847</u>	20,261	27,468
\$28,710,245	\$29 <b>,</b> 182 <b>,</b> 704	\$30,541,214	\$31,103,223	<u>\$31,558,960</u>	<u>\$27,354,366</u>
\$(1,448,548)	\$(1,410,152)	\$(3,012,588)	\$(2,116,605)	<u>\$(7,452,819</u> )	\$(4,392,800)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 895,000
-	-	-	-	-	(870,385)
2,400,300	2,775,000	1,280,000	2,253,000	1,586,128	6,121,896
(23, 422)	(16,317)	150.000	13 <b>,</b> 855	=	=
1 460 000	1 404 141	153,000	1 070 722	- 400 176	1 760 010
1,462,290	1,494,141	1,808,784	1,979,733	8,499,176	1,760,819
(1,697,426) \$ 2,141,742	(1,591,141) \$ 2,661,683	(1,838,580) \$ 1,403,204	(1,985,945) \$ 2,260,643	(8,440,525) \$ 1,644,779	(2,551,856) \$ 5,355,474
		•		•	
<u>\$ 693,194</u>	<u>\$ 1,251,531</u>	<u>\$(1,609,384</u> )	<u>\$ 144,038</u>	<u>\$(5,808,040</u> )	<u>\$ 962,674</u>
<u>10.84</u> %	<u>10.33</u> %	<u>8.56</u> %	<u>9.16</u> %	<u>14.63</u> %	<u>9.64</u> %

## CITY OF MASON CITY, IOWA GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1) LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Tax Increment	Ag Land Taxes	Monies & Credits	Bank Franchise Tax
2012	\$12,329,153	\$1,500,976	\$17 <b>,</b> 243	\$6 <b>,</b> 635	\$ -
2011	11,933,871	1,438,648	17 <b>,</b> 385	6 <b>,</b> 028	_
2010	11,227,096	1,113,291	17 <b>,</b> 898	6,034	_
2009	10,595,874	1,293,624	20,090	_	_
2008	9,991,874	1,549,165	17,051	_	_
2007	9,509,934	1,539,641	16,878	_	_
2006	8,441,105	1,324,877	16,416	_	_
2005	7,764,803	1,344,795	16,555	_	12,883
2004	7,821,949	1,299,624	19,350	_	72,000
2003	7,588,119	1,309,583	19,702	9,869	20,628

Fiscal Year	Hotel/ Motel Tax	Personal Property Replacement Tax	Utility Property t Tax Replacement	Local Option Sales Tax	Total Taxes
2012	\$544,623	\$ <b>-</b>	\$156,531	\$2,836,036	\$17,391,197
2011	412,712	_	151,361	2,580,116	16,540,121
2010	449,699	_	174,130	2,460,515	15,448,663
2009	439,464	-	186,493	2,458,596	14,994,141
2008	333 <b>,</b> 278	_	186,316	2,797,987	14,875,671
2007	303 <b>,</b> 510	_	184,216	2,430,608	13,984,787
2006	308 <b>,</b> 951	_	159,226	2,258,668	12,509,243
2005	288,301	_	161,992	1,976,896	11,566,225
2004	299,046	-	171,678	2,948,279	12,631,926
2003	282,093	176,219	211,951	2,186,902	11,805,066

<sup>(1)</sup> Includes General, Special Revenue and Debt Service Funds

# CITY OF MASON CITY, IOWA ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

		Assessed Valuation			
Levy	Fiscal	Residential	Commercial	Industrial	Agricultural
Year	Year	Property	Property	Property	Property
2011	2012	\$1,082,708,259	\$375,761,167	\$105,170,753	\$15,846,176
2010	2011	1,087,197,119	373,188,488	116,132,318	10,462,956
2009	2010	1,075,186,271	358,218,056	118,180,425	10,603,851
2008	2009	1,073,694,584	357,754,516	123,274,907	7,445,461
2007	2008	1,059,165,761	334,628,381	118,779,067	7,401,777
2006	2007	986,438,850	332,716,426	115,210,126	6,699,559
2005	2006	883,697,384	321,964,594	105,003,491	5,666,734
2004	2005	867,499,879	311,548,936	103,881,782	5,498,615
2003	2004	790,087,827	306,387,381	99,802,422	5,542,014
2002	2003	777,136,361	293,473,167	97,666,712	6,533,109

- (1) State mandated rollbacks have been applied to each class of property
- (2) Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: City Assessor

Utilities	Total	Total Taxable Valuation (1)(2)	Total Direct Tax Rate
\$58,902,940	\$1,638,389,295	\$1,076,208,365	13.56506
55,575,034	1,642,555,915	1,079,732,545	13.39427
39,183,481	1,601,372,084	1,026,972,722	12.73451
38,557,472	1,600,726,940	1,016,064,811	12.80116
38,557,472	1,558,532,458	964,618,055	12.67114
40,823,425	1,481,888,386	944,867,130	12.25642
33,420,085	1,349,752,288	869,786,552	11.63721
31,674,231	1,320,103,443	868,622,941	10.55109
32,546,117	1,234,365,761	829,968,057	10.46693
35,492,451	1,210,301,800	832,515,610	10.24691

# CITY OF MASON CITY, IOWA PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

#### REGULAR DISTRICTS

CITY OF MASON CITY Debt Total Fiscal Service Retirement City Operating Millage <u>Millage</u> Year Millage Millage 8.49471 8.67914 2.97035 2.78243 2.10000 1.93270 2012 13.56506 2011 13.39427 2.10902 1.52791 1.33259 2010 8.71062 1.91487 12.73451 2009 8.83574 2.43751 12.80116 2008 8.86866 2.46989 12.67114 1.05727 2007 8.83050 2.36865 12.25642 2006 8.66274 .88534 2.08913 11.63721 2005 8.69532 .26452 1.59125 10.55109 .59627 .73054 2004 8.82860 1.04206 10.46693 .85627 8.66010 2003 10.24691

Source: Cerro Gordo County Auditor

Note: The City's general fund maximum property tax rate may only be \$8.10 per \$1,000 of valuation. The remaining portion of the operating rate and the rates for debt service and retirement are set based on each year's requirements.

#### MASON CITY COMMUNITY SCHOOL DISTRICT

				O OO:			
CERRO GORDO COUNTY			SCHOOL DISTRICT				
	Debt	Total		Debt	Total		
Operating	Service	County	Operating	Service	School		Total
Millage	<u>Millage</u>	Millage	Millage	<u>Millage</u>	Millage	Other	Millage
5.81660	.43417	6.25077	15.11036	_	15.11036	3.00375	37.92994
5.81451	.45591	6.27042	15.11732	_	15.11732	3.00375	37.78576
5.82555	.46592	6.29147	13.61683	_	13.61683	3.00375	35.64656
5.83059	.48632	6.31691	13.67407	_	13.67407	3.00375	35.79589
5.83592	.75876	6.59468	14.08418	_	14.08418	3.00375	36.35375
5.78266	.81202	6.59468	14.09825	_	14.09825	3.00375	35.95310
5.86024	.33910	6.19934	14.71869	_	14.71869	3.00375	35.55899
5.04799	.22866	5.27665	14.11808	_	14.11808	3.00375	32.94957
4.59418	_	4.59418	13.65058	_	13.65058	3.00367	31.71536
4.59778	.10738	4.70516	14.15478	.95269	15.10747	3.00375	33.06329

#### CITY OF MASON CITY, IOWA PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO

		2012	
Taxpayer	Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
Interstate Power Company	\$ 47,700,090	1	2.91%
Golden Grain Energy, Inc.	17,217,540	2	1.05
Lehigh Portland Cement Company	16,388,235	3	1.00
Mills Fleet Farm	12,327,797	4	.75
Mason City Shopping Center, Ltd.	11,747,190	5	.72
Wal-Mart	11,599,630	6	.71
AADG	9,633,754	7	.59
Principal Mutual Life Insurance Co.	8,863,840	8	.54
North Iowa Mercy	8,323,664	9	.51
Arm-Eck	8,265,010	10	.50
Curries Manufacturing, Inc.	_		_
Northwestern States Cement-Holnam, Inc.	_		_
Mall Associates	_		_
CAG Subsidiary, Inc.	_		_
Dayton Hudson	<u> </u>		
Total	\$152,066,750		<u>9.28</u> %

Source: City Assessor

Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
\$ 27,054,603	1	2.16%
17,679,423 10,017,162 3,648,250	2 6 18	1.43 0.81 0.29
8,778,990	8	0.71
8,779,280 -	7	0.71
-		_
14,282,012	3	1.15
14,122,952	4	1.14
12,082,830	5	0.98
7,180,840	9	0.58
7,120,080	10	0.57
\$130,746,422		<u>10.53</u> %

# CITY OF MASON CITY PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Collected Within the For Fiscal Fiscal Year of the Levy Collections Levy Year Ended Total Percentage in Subsequent June 30, Tax Levy of Levy Years Year Amount \$13,368,985 2011 2012 \$13,106,318 98.04% \$ 7,178 2010 2011 12,949,529 12,922,145 99.78 2009 12,269,045 12,246,928 2010 99.82 6,221 11,901,194 11,885,781 2008 2009 99.87 1,528 2007 11,065,910 11,062,272 99.96 2008 1,602 2006 2007 10,549,474 10,547,547 99.98 879 2005 2006 9,414,330 9,411,788 99.97 1,414 8,377,255 2004 2005 8,380,157 99.96 1,866 2003 8,107,644 8,103,655 99.95 2004 3,475

7,724,156

99.72

20,295

7,745,522

2003

2002

Total Collections to Date

Percentage of Levy
98.04%
99.87
99.87
99.88
99.98
99.99
99.99
99.99
99.99
99.99

# CITY OF MASON CITY, IOWA RATIO OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

#### Governmental Activities

Fiscal	General (	Obligation	TIF Revenue	
Year	Bonds	Notes	Bonds	Lease
2012	\$23,854,077	\$ 150 <b>,</b> 000	\$1,049,774	\$ -
2011	25,339,320	295,000	1,233,400	-
2010	21,684,866	594,958	1,404,774	_
2009	14,138,132	884,958	1,569,339	-
2008	9,776,550	1,333,671	1,727,044	-
2007	9,777,692	408,671	2,072,975	_
2006	8,153,984	500,000	2,401,925	64,829
2005	8,453,000	_	2,719,272	126 <b>,</b> 867
2004	7,140,000	_	3,034,980	186,233
2003	8,345,000	_	2,895,000	243,043

			Business-Typ	e Activities
Fiscal	General Ob	ligation	Revenue	Capital
Year	Bonds	Notes	Bonds	Lease
2012	\$6,100,923	\$205,085	\$23,821,018	\$ -
2011	7,050,680	282 <b>,</b> 887	25,602,694	_
2010	6,840,134	356 <b>,</b> 890	27,146,278	_
2009	6,236,868	696 <b>,</b> 052	26,057,827	_
2008	5,903,450	410,780	18,740,604	105,480
2007	3,667,308	513,735	17,888,281	207,231
2006	3,991,016	362,596	15,429,715	305,324
2005	2,392,000	399 <b>,</b> 870	16,199,167	399,842
2004	· -	495,680	16,906,970	490,990
2003	-	90,000	9,218,080	· –

Settlement Note	Total
\$ -	\$25,053,851
-	26,867,720
_	23,684,598
_	16,592,429
_	12,837,265
4,889	12,264,227
31,528	11,152,266
56 <b>,</b> 125	11,355,264
75 <b>,</b> 000	10,436,213
_	11,483,043

Total	Total Primary Government	Percentage of Personal Income	Per <u>Capita</u>
\$30,127,026 32,936,261 34,343,302 32,990,747 25,160,314 22,276,555 20,088,651 19,390,879	\$55,180,877 59,803,981 58,027,900 49,583,176 37,997,579 34,540,782 31,240,917 30,746,143 28,329,853	5.09% 6.14 5.37 4.91 3.88 3.63 3.40 3.76	\$1,965 2,130 1,989 1,700 1,303 1,184 1,071 1,054
17,893,640 9,308,080	28,329,853 20,791,123	3.43 3.51	971 713

# CITY OF MASON CITY, IOWA RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Population(1)	Taxable Assessed Value(2)	Gross Bonded Debt	Less Debt Service Funds
28,079	\$1,076,208,365	\$30,310,085	\$ (8,624)
28,079	1,079,732,545	32,967,887	(121, 160)
29,172	1,026,972,722	29,476,848	61,630
29 <b>,</b> 172	1,016,064,811	21,956,010	267 <b>,</b> 858
29 <b>,</b> 172	964,618,055	17,424,451	362 <b>,</b> 803
29,172	944,867,130	14,367,406	505,025
29,172	869,786,552	13,007,596	619,718
29 <b>,</b> 172	868,622,941	11,244,870	769 <b>,</b> 200
29 <b>,</b> 172	829,968,057	7,635,680	1,221,315
29,172	832,515,610	8,255,000	2,313,361
	28,079 28,079 29,172 29,172 29,172 29,172 29,172 29,172 29,172	Assessed Value(2)  28,079 \$1,076,208,365 28,079 1,079,732,545 29,172 1,026,972,722 29,172 1,016,064,811 29,172 964,618,055 29,172 944,867,130 29,172 869,786,552 29,172 868,622,941 29,172 829,968,057	Population(1)Assessed Value(2)Bonded Debt28,079\$1,076,208,365\$30,310,08528,0791,079,732,54532,967,88729,1721,026,972,72229,476,84829,1721,016,064,81121,956,01029,172964,618,05517,424,45129,172944,867,13014,367,40629,172869,786,55213,007,59629,172868,622,94111,244,87029,172829,968,0577,635,680

Levy <u>Year</u>	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2012	\$30,318,709	2.82%	\$1,079.76
2011	33,089,047	3.06	1,178.43
2010	29,415,218	2.86	1,008.34
2009	21,688,152	2.13	743.46
2008	17,061,648	1.77	584.86
2007	13,862,381	1.47	475.19
2006	12,387,878	1.42	424.65
2005	10,475,670	1.21	359.10
2004	6,414,365	.77	219.88
2003	5,941,639	.71	203.67

#### Source:

- (1) U.S. Census Bureau
- (2) City Assessor

# CITY OF MASON CITY, IOWA DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT JUNE 30, 2012

Jurisdiction	Net Debt Outstanding	Percentage Applicable To City Of Mason City	Amount Applicable To City Of Mason City
Direct:		<del></del>	
City of Mason City (1)	\$25,053,851	100.0%	\$25,053,851
Overlapping (2):			
Mason City Community			
School District	37,820,780	90.4%	34,182,421
Cerro Gordo County	11,585,000	46.0%	5,329,100
North Iowa Area Community College	8,525,000	-	
Total	\$82,984,631		\$64,565,372

Source: Information provided by individual unit.

- (1) Excluding general obligation debt reported in the Enterprise Funds
- (2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Mason City. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident—and therefore responsible for repaying the debt—of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

#### CITY OF MASON CITY, IOWA LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

	2012	2011	2010	2009
Debt limit	\$81,919,465	\$82,847,356	\$80,068,604	\$80,036,347
Total net debt applicable to limit	31,154,774	33,918,400	30,524,732	23,206,321
Legal debt margin	\$50,764,691	<u>\$48,928,956</u>	<u>\$49,543,872</u>	<u>\$56,830,026</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>38.03</u> %	<u>40.94</u> %	<u>38.12</u> %	<u>28.99</u> %

#### Legal Debt Margin Calculation for Fiscal Year 2012

Actual assessed valuation:		
Real property	\$1,	579,486,355
Utilities		58,902,940
Total actual assessed valuation	\$1,	638 <b>,</b> 389 <b>,</b> 295
Debt limit - 5% of actual valuation	\$	81,919,465
Total net debt applicable to limit		31,154,774
Legal debt margin	\$	50,764,691

2008	2007	2006	2005	2004	2003
\$77,926,623	\$74,094,419	\$67,487,614	\$67,400,322	\$66,048,766	\$56,120,090
15,643,215	15,926,646	15,111,754	13,751,129	10,361,213	11,483,043
\$62,283,408	<u>\$58,167,773</u>	<u>\$52,375,860</u>	\$53,649,193	<u>\$55,687,553</u>	\$44,637,047
<u>20.07</u> %	<u>21.50</u> %	<u>22.39</u> %	<u>20.40</u> %	<u>15.69</u> %	<u>20.46</u> %

# CITY OF MASON CITY, IOWA PLEDGED REVENUE COVERAGE - SEWER LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues	Operating Expenses(1)	Net Revenue Available for Debt Service
<u>rear</u>	Revenues	Expenses (1)	Debt Service
2012	\$4,442,947	\$1,954,110	\$2,488,837
2011	5,231,916	1,672,145	3,559,771
2010	4,405,338	2,014,228	2,391,110
2009	4,442,190	1,908,966	2,533,224
2008	3 <b>,</b> 173 <b>,</b> 779	1,786,007	1,387,772
2007	2,673,287	1,814,148	859 <b>,</b> 139
2006	2,412,484	1,759,738	652 <b>,</b> 746
2005	2,311,231	1,660,486	650,745
2004	2,014,835	1,491,459	523,376
2003	2,125,686	1,520,466	605 <b>,</b> 220

Fiscal	Debt	Service Requireme	ents	
Year	Principal	Interest	Total	Coverage
2012	\$793 <b>,</b> 000	\$409 <b>,</b> 590	\$1,202,590	2.07
2011	897,000	437,287	1,334,287	2.66
2010	867,000	413,322	1,280,322	1.86
2009	690,000	169,170	859 <b>,</b> 170	2.95
2008	450,000	119,760	569,760	2.43
2007	455,000	117,276	572,276	1.50
2006	340,000	97,755	437,755	1.49
2005	330,000	127,679	457,679	1.42
2004	310,000	142,511	452 <b>,</b> 511	1.16
2003	295,000	156,546	451,546	1.34

<sup>(1)</sup> Total operating expenses exclusive of depreciation and amortization.

# CITY OF MASON CITY, IOWA PLEDGED REVENUE COVERAGE - WATER LAST TEN FISCAL YEARS

Gross Revenues	Operating Expenses(1)	Net Revenue Available for Debt Service
\$5 <b>,</b> 476 <b>,</b> 898	\$3,164,908	\$2,311,990
5,337,691	3,263,510	2,074,181
5,171,917	3,315,053	1,856,864
4,950,216	3,145,518	1,804,698
4,889,040	3,065,967	1,823,073
4,781,241	3,063,093	1,718,148
4,214,116	2,837,049	1,377,067
4,069,839	2,534,220	1,535,619
3,542,206	2,178,226	1,363,980
2,991,747	1,855,372	1,136,375
	\$5,476,898 5,337,691 5,171,917 4,950,216 4,889,040 4,781,241 4,214,116 4,069,839 3,542,206	Revenues       Expenses (1)         \$5,476,898       \$3,164,908         5,337,691       3,263,510         5,171,917       3,315,053         4,950,216       3,145,518         4,889,040       3,065,967         4,781,241       3,063,093         4,214,116       2,837,049         4,069,839       2,534,220         3,542,206       2,178,226

Fiscal	Debt	Service Requiremen	nts	
Year	Principal	Interest	Total	Coverage
2012	\$1,001,000	\$399 <b>,</b> 010	\$1,400,010	1.65
2011	970,000	430,760	1,400,760	1.48
2010	940,000	461,453	1,401,453	1.32
2009	915,000	491,288	1,406,288	1.28
2008	775,000	502,103	1,277,103	1.43
2007	727,000	463,806	1,190,806	1.44
2006	693,000	426,008	1,119,008	1.23
2005	1,088,000	457,617	1,545,617	0.99
2004	1,049,000	379,007	1,428,007	0.96
2003	375,000	88,206	463,206	2.45

<sup>(1)</sup> Total operating expenses exclusive of depreciation and amortization.

#### CITY OF MASON CITY, IOWA DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population(1)	Personal Income (in thousands)	Per Capita Income(2)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2012	28 <b>,</b> 079	\$1,082,586	\$38,555	43.30	3 <b>,</b> 796	6.5
2011	28 <b>,</b> 079	974 <b>,</b> 538	34,707	43.30	3,860	6.6
2010	29 <b>,</b> 172	1,080,618	37,043	42.10	3,909	7.9
2009	29 <b>,</b> 172	1,010,401	34,636	42.40	3,649	5.4
2008	29 <b>,</b> 172	980 <b>,</b> 850	33 <b>,</b> 623	41.70	3 <b>,</b> 969	3.5
2007	29 <b>,</b> 172	951 <b>,</b> 824	32,628	42.20	4,102	3.3
2006	29 <b>,</b> 172	919 <b>,</b> 326	31,514	39.30	4,103	4.1
2005	29,172	831,023	28,487	41.55	4,241	4.8
2004	29 <b>,</b> 172	896 <b>,</b> 951	30,747	41.13	4,298	3.9
2003	29,172	807,481	27 <b>,</b> 680	40.30	4,357	3.5

Source: (1) U.S. Census Bureau decennial census

- (2) Department of Economic Development, State Demographer
- (3) Mason City Community School District
  (4) Iowa Workforce Development

#### CITY OF MASON CITY, IOWA PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

	2012			
Taxpayer	Employees	Rank	Percent of Total City Employment	
Mercy Medical Center - North IA	1,697	1	11.7%	
Curries Manufacturing Company	633	2	4.4	
Hy-Vee Food Stores	578	3	4.0	
Mason City Community School District	555	4	3.8	
Principal Life Insurance Co.	490	5	3.4	
Wal-Mart Stores	361	6	2.5	
Good Shepherd Geriatric Center	305	7	2.1	
City of Mason City	293	8	2.0	
Graham Manufacturing	260	9	1.8	
Kraft Foods	233	10	1.6	
Total	5,405		<u>37.3</u> %	

Source: Mason City Economic Development Commission Mason City Chamber of Commerce

Iowa Workforce Development

(1) Information not available

$\sim$	$\sim$	$\sim$	•

	2003	
Employees (1)	Rank	Percent of Total City Employment (1)
<u> </u>		<u> </u>
_	1	_
_	2	_
_	5	_
_	_	_
-	4	_
_	6	_
-	10	_
_	-	_
-	-	_
<u> </u>	-	<u>-</u> _
<u>-</u>		<u>-</u> _

# CITY OF MASON CITY, IOWA FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Dublic cofoty:	2012	2011	2010	2009	2008
Public safety: Police - sworn	45	48	48	48	45
Police - civilian	5	5	5	2	4
Fire - sworn	4 4	44	44	4 4	44
Fire - civilian Building inspection	2 2	2 3	2 3	2 3	2
Plumbing/electrical inspection	2	2	2	1	2
Public works:					
Airport	5	5	5	5	5
Street	21	21	20	22	21
Arborist	1 7	1 7	1 7	1 7	1 7
Engineer	/	/	/	/	/
Health and social services:	4	2	4	_	4
Youth Task Force	4	3	4	5	4
Health Human Rights	1 3	1 3	1 3	1 3	1 2
numan Rights	J	5	5	5	۷
Culture and recreation:					7
Parks Recreation	6 3	6 3	6 3	6 4	7 4
Library	18	18	14	15	15
Museum	7	7	7	7	7
Community and economic development:	2	0	2	2	0
Neighborhood Services Growth Development and Planning	3	2	2	2	2 3
Transit	14	16	17	17	14
	1.1	10	Ι,	Ι,	11
General government:	2	2	2	2	0
Administrator Mayor	3	2	2	2	2
Finance	11	11	11	11	11
Clerk	1	1	1	2	2
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	19	19	18	19
Sewer	14	16	16	16	16
Sanitation	10 3	12 3	12	11 3	12
Cemetery Golf course	2	2	3 2	2	3 2
SOII COUISC		<del></del>			
Total	<u>269</u>	<u>269</u>	<u> 266</u>	<u> 266</u>	<u>263</u>

See Accompanying Independent Auditor's Report.

2007	2006	2005	2004	2003
48	50	47	49	47
10	9	15	12	12
44	44	44	43	36
2	1	1	1	1
3	3	3	3	3
2	2	2	2	2
5	6	5	4	4
21	21	20	20	21
1	1	1	1	1
5	7	7	6	8
4	3	3	3	3
1	1	1	1	1
2	2	2	2	2
7	7	7	7	6
4	4	4	4	4
14	14	13	13	13
7	6	5	6	6
3	3	3	1	3
1	3	4	4	4
15	14	14	17	17
2	2	2	2	2
-	-	-	1	1
8	7	7	5	5
2	3	3	3	3
1	1	1	1	1
2	2	2	2	2
22	21	22	19	21
17	17	17	16	17
12	12	12	12	11
3	3	3	3	3
1	2	2	2	2
<u>269</u>	<u>277</u>	<u>277</u>	<u>274</u>	<u>267</u>

# CITY OF MASON CITY, IOWA OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function Police:	2012	2011	2010	2009	2008
Physical arrests Parking violations Traffic violations	3,082 2,678 5,366	2,776 4,432 5,311	2,295 4,161 2,043	4,129 5,885 3,117	3,049 7,560 5,952
Fire: Fire calls answered Ambulance calls answered Inspections	839 4,434 1,961	793 4,057 1,690	731 3,755 1,411	3,912	766 4,032 1,025
Highways and streets: Street resurfacing (miles) Potholes repaired	0.37 5,500		2.40 5,300		3.04 5,000
Sanitation: Refuse collected (tons/day) Recyclables collected (tons/day)	29.00 4.82		32.60 4.86	27.50 5.50	35.52 5.50
Culture and recreation: Aquatic Center admissions	42,811	42 <b>,</b> 179	33,616	39,074	39,726
Water: New connections Water main breaks Average daily consumption	26 21	31 17	15 17	21 11	3 10
(thousands of gallons)	4,828	5,300	5,324	5 <b>,</b> 865	5 <b>,</b> 673
Wastewater: Average daily sewage treatment (thousands of gallons)	6 <b>,</b> 712	6,810	6,689	6 <b>,</b> 658	7,421

2007	2006	2005	2004	2003
3,373	3,309	3,551	3,362	3,190
4,328	3,870	4,041	5,827	6,180
6,502	4,463	2,686	3,478	2,990
746	779	772	842	1,070
4,138	4,374	3,420	310	-
600	373	781	673	1,097
5.59	4.22	3.41	2.71	2.24
5,000	5,000	5,000	5,000	5,000
32.09	31.44	32.80	33.55	31.64
5.50	5.70	5.90	5.87	5.88
51 <b>,</b> 751	54,997	58,951	42,484	75 <b>,</b> 846
15	10	1	8	7
11	8	10	14	17
5,784	5,819	5 <b>,</b> 869	5 <b>,</b> 571	4,964
7,040	6 <b>,</b> 637	6,618	5,433	5 <b>,</b> 832

# CITY OF MASON CITY, IOWA CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function</u>	2012	2011	2010	2009	2008
Public safety:	1	1	1	1	1
Police stations	1	1 1	1 1	1	1 1
Fire stations	Ţ	1	Ţ	Τ	1
Public works:					
Street miles:					
Paved	152.39	152.33	152.33	152.06	151.93
Unpaved	41.12	41.12	41.12	41.12	41.12
Street lights	1,765	1,761	1,761	1,760	1,760
Culture and recreation:					
Parks	41	41	41	41	41
Acreage	639	639	639	639	639
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	12
Golf courses	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	7	7	7	7	7
Business-type activities:					
Sewer miles:					
Storm	48.46	48.13	48.13	47.95	47.95
Sanitary	164.57	164.53	164.53	164.31	164.31
Cemetery:					
Facilities	1	1	1	1	1
Acreage	100	100	100	100	100

2007	2006	2005	2004	2003
1 1	1 1	1 1	1	1
151.93	151.69	150.78	148.12	148.12
41.12	41.12	41.12	41.80	41.80
1,760	1,750	1,744	1,714	1,714
41	41	41	41	41
639	639	639	639	639
12	12	12	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
47.95	46.91	46.44	46.26	46.26
160.92	159.84	159.05	158.30	158.30
1	1	1	1	1
100	100	100	100	100

# COMPLIANCE SECTION



Douglas E. Kronlage, CPA John C. Olson, CPA

# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council City of Mason City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City of Mason City's basic financial statements and have issued our report thereon dated December 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of the City of Mason City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Mason City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mason City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and an other deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 12-II-A and 12-II-B, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency, 12-III-B, described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mason City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-III-B.

We noted certain matters that we reported to management of the City of Mason City, Iowa, in a separate letter dated December 28, 2012.

The City of Mason City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor, members of the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mason City, Iowa, during the course of our audit.

Charles City, Iowa

Kronlage & Obon, P.C.

December 28, 2012

Douglas E. Kronlage, CPA John C. Olson, CPA

# REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council City of Mason City, Iowa

#### Compliance

We have audited the compliance of the City of Mason City with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Mason City's major federal programs for the year ended June 30, 2012. The City of Mason City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Mason City's management. Our responsibility is to express an opinion on the City of Mason City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States*, *Local Governments*, and *Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mason City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Mason City's compliance with those requirements.

In our opinion, the City of Mason City complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these compliance requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-III-B.

#### Internal Control Over Compliance

Management of the City of Mason City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mason City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and an other deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-III-A and 12-III-C to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 12-III-B to be a significant deficiency.

The City of Mason City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Mason City's response and, accordingly, we express no opinion on the responses.

This report, a public record by law, is intended solely for the information and use of the officials, management and citizens of the City of Mason City and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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Kronlage & Obon, P.C.

Charles City, Iowa

December 28, 2012

July 23, 2013 as related to Department of Transportation, Highway Planning and Construction, CFDA 20.205

#### CITY OF MASON CITY, IOWA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Grantor/Program DIRECT:	CFDA <u>Number</u>	Agency or Pass-Through Number	Program Expenditures
Department of Housing and Urban Development Fair Housing Assistance Program - State and Local Contributions and Training Contributions and Training Contributions and Training	14.401 14.401 14.401		\$ - 103,678
Total  Department of Justice Bullet Proof Vest Program Bullet Proof Vest Program	16.607 16.607	2008	\$ 103,678 \$ -
Public Safety Partnership and Community Policing Grants: COPS - Secure Our Schools Recovery Act - Edward Byrne Memorial	16.710		-
Justice Assistance Grant (JAG) Granted to Units of Local Government Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program Total	16.804		24,708  29,222 \$ 55,130
Department of Transportation Airport Improvement Program Passenger Facility Charge Total	20.106 20.106 20.106	3-19-0059-32-2009 3-19-0059-34-2010 3-19-0059-35-2010 3-19-0059-36-2011 3-19-0059-37-2012	\$ - 937,427 1,744,742
Department of Health and Human Services  Substance Abuse and Mental Health Services - Projects of Regional and National Significance Projects of Regional and National Significance Total	93.243 93.243	5 H79 SP015490-03 5 H79 SP015490-04	
Department of Homeland Security Assistance to Firefighters Law Enforcement Officer Reimbursement Agreement Program Total	97.044 97.090	EMW-2011-F0-06377 HSTS0208HSLR204	\$ - 9,162 \$ 9,162
Total direct			\$2,937,201

# CITY OF MASON CITY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Grantor/Program INDIRECT:	CFDA Number	Agency or Pass-through Number	Program Expenditures
Department of Housing and Urban Development: <u>Iowa Department of Economic Development</u> Community Development Block Grant/			
State Program Owner Occupied Housing Rehab Owner Occupied Housing Rehab 100% Flood and Demolition Buyout Disaster Recovery Infrastructure Disaster Recovery Infrastructure Disaster Recovery Infrastructure Hazard Mitigation Grant Program Match	14.228 14.228 14.228 14.228 14.228 14.228	11-HSG-035 10-DTR-006 08-DRHB-226 08-DRI-226 08-DRMI-002 08-DRMI-003	\$ 50,517 - 1,108,183 3,842,032 5,671 16,816
for Property Acquisition Flood Buyout #1 Flood Buyout #2 Flood Buyout #3 Flood Buyout #4 Home Investment Partnership Program Total	14.228 14.228 14.228 14.228 14.239		150 119,756 - 124,008 \$5,267,133
Department of Justice:  Governor's Office of Drug Control Policy Recovery Act - Edward Byrne Memorial			
Justice Assistance Grant Program  Recovery Act - Edward Byrne Memorial	16.803	09JAG-ARRA4154B	\$ -
Justice Assistance Grant Program Recovery Act - Edward Byrne Memorial	16.803	09JAG/ARRA-4155B	-
Justice Assistance Grant Program Recovery Act - Edward Byrne Memorial	16.803	09JAG/16727	19,252
Justice Assistance Grant Program Recovery Act - Edward Byrne Memorial	16.803	09JAG/17611	8,545
Justice Assistance Grant Program Recovery Act - Edward Byrne Memorial	16.803	09JAG/ARRA-16448	C 52,732
Justice Assistance Grant Program Total	16.803	09JAG/ARRA-3344B	\$ 80,529
Iowa Department of Justice Federal Violence Against Women Formula Grant	16.588	VWS-12-55	\$ 21,291
Federal Violence Against Women Formula Grant Total Total	16.588	VW-11-55	\$ 21,291 \$ 101,820

#### CITY OF MASON CITY, IOWA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Transportation: <u>Iowa Department of Transportation</u> Highway Planning and Construction			
ICAAP - 19 <sup>th</sup> Street Overpass	20 205	2-07-ICAAP-006	\$ 882
19 <sup>th</sup> Street Overpass Approach		02-08-HDP-015	-
Delaware Ave Bridge Replacement S. Monroe Storm Sewer and Intersection		2010-E-023	769,600
Improvements 19 <sup>th</sup> Street SE Culvert Widening Over	20.205	02-09-STPU-040	454,042
Mason Creek	20 205	02-10-STPU-005	868,830
Formula Grants for Other than Urbanized Are		02 10 5110 000	000,000
Capital Assistance		18-0028-482-07	7,876
Operating Assistance		18-0029-482-11	_
Operating Assistance		18-0030-482-12	347,540
ARRA - Capital Assistance	20.509	86-0001-482-09	· –
Total			\$2,448,770
Iowa Department of Public Safety Governor's Traffic Safety Bureau State and Community Highway Safety Police Traffic Services Police Traffic Services Total Total	20.600	PAP-12-02 PAP-11-02	\$ 5,163 3,467 \$ 8,630 \$ 364,928
National Endowment for the Arts: <u>Iowa Arts Council</u> Promotion of the Arts - Partnership  Agreements  Operating Support	45.025	2011-8282	\$ 13 <b>,</b> 540
Operating Support	43.023	2011-0202	<del>γ</del> 13,340
Department of Education: <u>Iowa Department of Public Health</u> Safe and Drug Free Schools and			
Communities - State Grants	84.186	5881DV09	\$ -
Governor's Office of Drug Control Policy Safe and Drug Free Schools and Communities - National Programs	84.1842	Z 09-IHE-01	\$ 103 <b>,</b> 851
· · · · · · · · · · · · · · · · · · ·	- /		
Total			<u>\$ 103,851</u>

(continued)

#### CITY OF MASON CITY, IOWA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Homeland Security:  Iowa Homeland Security and Emergency  Management Division  Disaster Grants - Public Assistance (Presidentially Declared Disasters)	07.006		00.504
Small Projects	97.036		\$ 28,604
Demolition Debris Removal Demolition Debris Removal Demolition Debris Removal Demolition Debris Removal		DR #1763-PW-10528 DR #1763-PW-10529	294,599 5,263 1,127
Hazard Mitigation Grant	37.000	DIC    1 / 03 1 W 1 0 0 3 3	
Flood Buyout #2 Flood Buyout #1 Flood Buyout #4 Flood Buyout #3 Water Reclamation Facility Water Distribution Flood Wall Newman Schools Safe Room	97.039 97.039 97.039 97.039 97.039 97.039 97.039	HMGP-DR-1763-0032-01 HMGP-DR-1763-0037-01 HMGP-DR-1763-0047-01 HMGP-DR-1703-0061-01 HMGP-DR-DR-1763-0062-01	451 - 140,410 359,267 28,355 84,079 435,995
Total			\$ 1,378,150
Total indirect			\$ 9,321,894
Total expenditures of federal a	awards		<u>\$12,259,095</u>

# CITY OF MASON CITY, IOWA SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS YEAR ENDED JUNE 30, 2012

Grantor/Program	Agency or Pass-through Number	Program Expenditures
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure		
Program	13149	\$ <b>-</b>
Commercial Air Service Vertical Infrastructure		
Program	11416	88 <b>,</b> 222
Commercial Air Service Vertical Infrastructure		
Program	12276	7 <b>,</b> 886
Airport Improvement Project	13171	13,665
Total Expenditures for State Awards		\$109,773

# CITY OF MASON CITY NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2012

#### (1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mason City, Iowa. The City of Mason City reporting entity is defined in Note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

#### (2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 2 to the City's general purpose financial statements.

#### (3) Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the City's general purpose financial statements as follows:

	Operating	Capital	Loan	
	Grants	Grants	Proceeds	Total
General Fund	\$1,476,422	\$ 2,794,296	\$ -	\$ 4,270,718
Special Revenue Funds:				
ADDI	_	124,008	-	124,008
FMA	_	411,286	_	411,286
Road Use Tax	_	1,971,998	_	1,971,998
Housing	50 <b>,</b> 517	_	_	50 <b>,</b> 517
HMGP	_	2,138,229	_	2,138,229
PDM-FEMA	_	493 <b>,</b> 592	_	493 <b>,</b> 592
Capital Project Funds:				
Local Option Capital				
Improvements	_	24,500	_	24,500
Enterprise Funds:				
Water	_	111,186	_	111,186
Sewer	37 <b>,</b> 354	3,842,033	_	3,879,387
	\$1,564,293	\$11,911,128	\$ -	\$13,475,421

#### (4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

#### (5) Reporting of Prior Year Federal Expenditures

Included in the Schedule of Expenditures of Federal Awards is \$1,080,097 of expenditures not previously reported for the year ended June 30, 2011. All of the expenditures relate to Highway Planning and Construction grants, CFDA Number 20.205 as follows:

	2011	2012
Deleware Avenue Bridge Replacement	\$ 636,008	\$ 133,592
S. Monroe Storm Sewer and Intersection Improvements	444,089	9,953
19 <sup>th</sup> Street SE Culvert Widening Over Mason Creek	_	868 <b>,</b> 830
Total	\$1,080,097	\$1,012,375

#### Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) Two material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (d) One significant deficiency in internal control over a major federal program during the audit is reported. The deficiency is not reported as a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (f) The audit disclosed audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section  $510\,(a)$ .
- (g) The programs tested as the major programs are:
  - CFDA Number 14.228 Community Development Block Grants
  - CFDA Number 20.106 Airport Improvement Program
  - CFDA Number 20.205 Highway Planning and Construction
  - CFDA Number 97.039 Hazard Mitigation Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$367,772.
- (i) The City did not qualify as a low-risk auditee.

#### Part II: Findings Related to the Financial Statements

#### INSTANCES OF NONCOMPLIANCE:

There was no prior year or current year instances of noncompliance identified.

#### MATERIAL WEAKNESSES:

12-II-A Determination of Accounts and Contracts Payable - At the end of each fiscal year, finance department interns determine the accounts and contracts payable that should be recognized in the City's financial statements. At June 30, 2012, they recognized over \$1,315,000 of accounts and contracts payable, including approximately \$61,300 (not material to any opinion unit) incorrectly recorded as payables. However, they did not recognize an additional \$215,000 (material to one opinion unit) of mostly contracts payable at June 30, 2012.

Recommendation - This is a significant improvement over previous years. The interns should be further instructed by their supervisor in the requirements for an item to be recognized as a payable at the end of the year. I would suggest that a written process be developed for the interns to use to determine when a payable should be

#### Part II: Findings Related to the Financial Statements: (continued)

#### INSTANCES OF NONCOMPLIANCE:

recognized in the financial statements. An alternative would be for the interns to use a flow-chart process. In addition, the supervisor needs to provide closer direct supervision of the interns so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

<u>Response</u> - We will be providing additional guidance to the interns and investigating the development of flow charts or materials to assist the interns in determining the appropriate classification at year end. These additional materials will be added to the written documents already included as part of the intern processes.

Conclusion - Response accepted.

12-II-B Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - There has been significant improvement in the initial determination of the financial statement classifications and amounts by the finance department interns. Additional instruction and supervision should be given to the interns by their direct supervisor. In addition, the finance interns' supervisor should review their work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

 $\underline{\text{Response}}$  - We will be providing additional guidance and supervision to the interns to assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

Recognition of Non-Cash Fixed Asset Additions - During most years, the City may accept subdivisions from various developers as land is prepared for commercial and residential development. When the City accepts a subdivision, it also accepts the improvements installed by the developer (sewer lines, water lines, infrastructure, etc.). These items should be included as an addition to the City's assets. Interns have neglected to include these items for several years, necessitating a restatement of the opening balances as of July 1, 2011.

Recommendation - An addition to the interns' written work plan should include a step to determine if any subdivisions were accepted by the City during the fiscal year. If subdivisions were accepted during the year, an additional step would require the interns to consult with the engineering department to develop a cost for the individual additions during the fiscal year.

<u>Response</u> - We will add this procedure to the interns' work program as an item to be coordinated with the City engineer's staff.

#### Part III: Findings and Questioned Costs for Federal Awards:

ALL GRANTS:

12-III-A See items 12-II-A and 12-II-B above.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

DEPARTMENT OF TRANSPORTATION:

Airport Improvement Program - CFDA 20.106, Grants AIP-3-19-0059-36-2011.

12-III-B Condition - The engineering company for this project accepted the responsibilities, as part of its contract, to perform all requirements established by the Davis-Bacon Act. The individual responsible for performing the required tasks failed to adequately document employee interviews, record work being performed by the individual, reconcile hours worked per employee to company weekly wage report and investigate differences, document non-cash benefits required to meet the amount of hourly wage and benefits to the Department of Labor wage determination letter and determine that correct wages were being paid for the category of work being performed. This occurred in two of the three interviews performed.

 $\underline{\text{Criteria}}$  - The grantee or its representative is required to ensure that the contractors comply with the Davis-Bacon requirements for wage and benefit payments and weekly submission of reports.

 $\underline{\text{Effect}}$  - The City may not be in compliance with a major compliance requirement of its grant.

 $\underline{\text{Cause}}$  - The employee interviews were conducted by an individual  $\underline{\text{identified}}$  as an "Intern Architect". This brings into question if there was sufficient supervision and review of this individual's work.

 $\underline{\text{Context}}$  - Three employee interviews were conducted as part of the affected grant. Two of the interviews were deficient.

 $\overline{\text{Recommendation}}$  - The City's airport manager should follow up with the engineering company who accepts the responsibility for Davis-Bacon compliance to insure that the appropriate checks have been performed by knowledgeable individuals.

<u>Views of Responsible Officials and Planned Corrective Action</u> - The airport manager has stressed the necessity of completing Davis-Bacon requirements during the pre-construction and progress meetings held for federal grant AIP-36. The ultimate responsibility for these requirements had been accepted by Mead & Hunt Project Manager on behalf of the airport.

In the future, the Airport Manager will request documentation relating to Davis-Bacon compliance requirements that the employeee interviews have been conducted and properly documented.

#### Part III: Findings and Questioned Costs for Federal Awards:

DEPARTMENT OF TRANSPORTATION: - continued

Highway Planning and Construction - CFDA 20.205, Grants 2010-E-023, 02-09-STPU-040, 02-10-STPU-005.

12-III-C <u>Condition</u> - The City failed to identify the three grants as federal assistance grants paid with pass-through funds from the Iowa Department of Transportation.

<u>Criteria</u> - Expenditures paid with federal assistance funds are to be reported on the Schedule of Expenditures of Federal Awards (SEFA).

 $\frac{\text{Effect}}{\text{required}}$  - The expenditures were not reported on the original SEFA as  $\frac{\text{required}}{\text{required}}$ . An amended SEFA was required to be prepared.

 $\underline{\text{Cause}}$  - City employees failed to notify responsible individuals that federal pass-through funds were involved.

 $\underline{\text{Context}}$  - Grants totaling \$2,092,472 were not correctly reported on the 2011 and 2012 SEFA.

Recommendation - A system should be developed to notify the Director of Finance of all grants that involve federal reimbursement of expenditures at the time the City enters into the grants. In addition, each department should notify the Director of Finance of each federal assistance grant that incurred federal expenditures in the current year.

Views of Responsible Officials and Planned Corrective Action - Departments are able to negotiate contracts with state agencies and are not always aware if there is federal pass-through money or just state money. Department heads will be instructed to read through agreements and determine the source of grant funds. Departments will complete a questionnaire at the end of the year identifying all existing grants during the year.

#### Part IV: Other Findings Related to Required Statutory Reporting:

Part IV.	Other rindings kerated to kequired Sta	tutory keporting.		
12-IV-A	Official Depositories - A resolution been adopted by the City Council.	on naming official depos	itories has	
12-IV-B	Certified Budget - Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted.			
12-IV-C	Questionable Disbursements - No expenditures that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.			
12-IV-D	<u>Travel Expense</u> - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.			
12-IV-E	<u>Business Transactions</u> - Business transactions between the City and City officials or employees are detailed as follows:			
	Name, Title and <u>Business Connection</u> Dave Grooters, Library Board -  owner, Pappajohn Law Firm	Transaction Description Legal services	Amount \$ 309	
	Cindy Stephenson, Communications Utility Board - owner, Stephens Hearing Associates	Services	675	
	Craig MacDougall, Plumbing Appeals and Exam Board - owner, Hank's Plumbing	Plumbing repairs	1,131	
	Matt Brick, Plumbing Appeals and Exam Board - owner, Brick Furniture	Furniture	1,800	
	David Vikturek, North Iowa Corridor Economic Development Corporation Board - vice president, Mason City Foundation	City contribution	1,800	
	Tony Johnson, Plumbing Appeals and Exam Board - owner, Johnson Heating/AC	Plumbing repairs	2 <b>,</b> 555	
	Jay Leaman, Electrical Examiners and Appeals Board - owner, The Electricians	Electrical services	2,558	
	Steve Clausen, Plumbing Appeals and Exam Board - owner, Clausen Plumbing	Plumbing repairs	6,196	
	Daniel Moorehead, Electrical Examiners and Appeals Board - owner, Moorehead Electric	Electrical services	7,963	
	Kris Kramer, Enterprise Zone Commission - manager, Kramer Ace Hardware	Supplies	8,585	

#### Part IV: Other Findings Related to Required Statutory Reporting: (continued)

Name, Title and <u>Business Connection</u> Mark Ewy, Housing Advisory and  Appeals Board - owner, Custom	Transaction Description	Amount
Auto Body	Repairs	\$ 9,300
Larry Elwood, North Iowa Corridor Economic Development Corporation Board - owner Larry Elwood Construction	Construction services	20,849
	Construction services	20,049
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	26,940
Dennis Reidel, Library Board - CEO & CFO, Overhead Door of Mason City & Mid-West Roofing	Construction services	31,266
Tom Douglas, Housing Advisory & Appeals Board - owner, Edwards Brandt Insurance & Realty	Insurance	34,499
Doug Wiltsie, Electrical Examiners & Appeals Board - vice president, Blazek Electric	Electric services	39,970
Terry McCarthy, Human Rights Commission, - partner, Yaggy Colby Associates	Engineering services	191,245
Fouad Daoud, Building Advisory and Appeals Board - partner, Wallace, Holland, Kastler & Schmidt	Engineering services	466,072
Gary Schmit, North Iowa Corridor Economic Development Corporation Board, - president, Henkel		
Construction	Construction services	549,283
Kevin Pals, Youth Task Force, Sheriff - Cerro Gordo County	28E Agreement	582 <b>,</b> 982
George Jessen, Zoning Board of Adjustment (alternate) - owner, Heartland Asphalt	Road construction	1,242,461

In accordance with Chapter 362.5(10) of the Code of Iowa, the first three transactions do not appear to represent a conflict of interest since the transactions were less than \$1,500 during the fiscal year.

All or significant amounts of the payments to Larry Elwood Construction, Yaggy Colby Associates, WHKS and Co., Heartland Asphalt, Cerro Gordo County Sheriff, Henkel Construction and Edwards Brandt and Associates were competitively bid or required by 28E agreement and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

#### Part IV: Other Findings Related to Required Statutory Reporting: (continued)

Response - We will do this.

Conclusion - Response accepted.

12-IV-F

Related Party Purchase Discrepancies - City purchasing policy requires department heads to obtain competitive bids (to include publication of a request for bids, description of the item being sought and a public opening and award of bids) for all annual cumulative purchase from a City employee, official or member of a board or commission exceeding \$1,500. Department heads are not aware of this policy and are not complying with the policy.

Recommendation - The policy should be reviewed to determine if this is the policy that the City actually wishes to enforce. The policy requires department heads to know the extent of purchases from a related party and would essentially require publication and taking of bids for purchases of minimal amounts.

 $\underline{\text{Response}}$  - We are presently reviewing the policy to determine the extent of restrictions desired by the council.

- 12-IV-G Bond Coverage Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-IV-H <u>Deposits and Investments</u> We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- 12-IV-I Council Minutes No transactions were found that we believe should have been approved in the Council minutes but were not.
- Water Billing Shortages A multi-year analysis of water pumped from the water distribution center versus water billed shows that a significant amount of water pumped is not being billed. Water may not be billed for a number of reasons, including water used for firefighting, line flushing, certain municipal processes, line leaks, etc. An acceptable unbilled percentage of water pumped is in the 15% range. The percentage of water billed has steadily decreased from 81% in FYE 1996 to 71% in FYE 2004. The percentages billed in 2005 and 2006 were 59% and 56%, respectively. These were the years when major improvements were being made to the water distribution system. All of the construction and testing were completed prior to the 2012 fiscal year. During FYE 2007, 2008, 2009, 2010, 2011 and 2012, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63%, 59%, 53%, 63% and 67% of the water pumped from the water distribution plant was actually billed, respectively.

#### Part IV: Other Findings Related to Required Statutory Reporting: (continued)

Recommendation - Progress is being made. The City should continue to investigate the calculation of water pumped to determine that it is being accurately measured. The City should also continue to review its billing process to determine that all customers are being billed. Gallons of water billed have decreased approximately 10% since FY 2003, at the same time that gallons of water pumped have remained steady.

Response - We have purchased leak detectors and are in the process of identifying leaks in the system. The capital improvements plan includes projects each of the next five years to replace leaking or old water lines. We are also tracking City-owned facilities' usage that is not being billed to determine how much it affects the percentage.

# CITY OF MASON CITY, IOWA Corrective Action Plan for Federal Audit Findings Year Ended June 30, 2012

Comment Number	Comment Title	Corrective Action Planned	Contact Person Title, Phone Number	Anticipated Date of Completion
12-II-A	Determination of accounts and contracts payable	We will provide a written process for the interns to follow in addition to providing increased personal supervision of the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2013
12-ІІ-В	Financial statement classification and valuation	We will provide additional guidance and supervision to the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2013
12-III-A	See items 12-II-A and 12-II-B above			
12-III-B	Failure to comply with Davis-Bacon Act inspection requirements	We will request Davis-Bacon compliance documentation to ensure interviews were conducted and completely documented.	Pam Osgood Airport Manager 641-421-3680	June 30, 2013
12-III-C	Failure to identify Federal grants	Department Managers will provide a schedule of Federal grants to the Finance Director at the end of the year.	Kevin Jacobson Director of Finance 641-421-3613	July 31, 2013

# CITY OF MASON CITY, IOWA Summary Schedule of Prior Audit Findings Year Ended June 30, 2012

#### FINANCIAL STATEMENTS

#### Finding 11-II-A: Determination of Accounts and Contracts Payable

<u>Condition</u> - Material amounts of accounts and contracts payable were not being properly recognized.

Recommendation - Additional instructions and processes should be developed to assist the interns in arriving at a materially correct number for these items.

<u>Current Status</u> - Progress has been made with this process, but additional supervision and instruction is needed to arrive at materially correct payable items.

#### Finding 11-II-B: Financial Statement Classification and Valuation

 $\underline{\text{Condition}}$  - Material adjusting journal entries were required to properly classify and value financial statement amounts.

Recommendation - Additional instruction and supervision of the interns by the Director of Finance would reduce the number and amount of misstatements.

<u>Current Status</u> - Additional oversight was provided this year, but additional supervision and oversight is required.

#### Finding 11-III-A: Financial Statement Findings

See items 10-II-A and 10-II-B above.

#### Finding 11-III-B: Flood Expenses are not Reconciled to the General Ledger

 $\underline{\text{Condition}}$  - The expenses related to the 2008 flood buyouts and demolitions were not reconciled to the general ledger prior to reimbursement requests being prepared and submitted.

Recommendation - Expenses should be reconciled between general ledger, subsidiary records and reimbursement requests.

Current Status - This has been accomplished and only minor differences exist

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